AN EVALUATION OF THE IMPACT OF ANACQUISITION STRATEGY ON COMPETITIVE ADVANTAGE. A CASE STUDY OF OK ZIMBABWE.

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DECLARATION

I, Caroline Rugonye, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

27 February 2014
Student’s Signature Date

________________________________________  27 February 2014
Supervisor’s Signature Date
ACKNOWLEDGEMENT

I would like to extend my gratitude and appreciation to the people who motivated and inspired me to complete this project.

To God Almighty for his grace, wisdom and strength to undertake this study. All glory is to him for making this possible.

My supervisor Mr. Kuhudzayi for his guidance throughout the research.

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My friends, family and fellow MBA 2013 class for their encouragement and moral support.
ABSTRACT
OK Zimbabwe Limited was incorporated in 1953 and listed on the Zimbabwe Stock Exchange (ZSE) in 2001. The company is a leading supermarket retailer, providing access to a diverse range of retail products and allied services in Zimbabwe. It currently has 54 stores nationwide trading under three highly recognized brand names; OK, Bon Marche, and OKmart. The supermarket retail industry is constantly transformed by changes such as legislation, consumer tastes, technological developments and macroeconomic challenges in the form of liquidity crises. The level of increased competition is a constant threat to market share retention and expansion. The major challenge faced by OK Zimbabwe is how to defend and consolidate its position as the leader in the supermarket retail sector.

The dissertation was a case study of the acquisition strategy adopted by OK Zimbabwe Limited, and its effect on the acquirer’s business model, growth and competitive position. Literature pertaining to underlying concepts was reviewed and covered aspects of strategy, business models and competitive advantage. The strategic aspect highlighted the classification, motives, drivers, attractiveness and pitfalls of acquisitions. This was linked to business model, performance and competitive advantage. The final part dwelt on how these outcomes are evaluated and their overall implications on success. The methodology framework used was predominantly quantitative, with a deductive research approach. A self-administered questionnaire based on management and employee assessments was the instrument used to collect primary data. The conceptual model was statistically tested and analysed to support the findings. The objective of the research was to establish the impact of strategy on competitive advantage, extend the current knowledge and establish important management lessons. The findings showed that the acquisition strategy significantly contributed to competitive advantage. A major finding was that economic performance was not the major contributor to growth. Two managerial recommendations were also included to exploit other sources of competitive advantage.
# TABLE OF CONTENTS

DECLARATION .................................................................................................................... II
ACKNOWLEDGEMENT ......................................................................................................... III
TABLE OF CONTENTS ........................................................................................................ V
LIST OF TABLES .................................................................................................................. X
LIST OF FIGURES ............................................................................................................... XI
CHAPTER ONE .................................................................................................................... 1
1.0. INTRODUCTION .......................................................................................................... 1
1.1 Aquisitions ................................................................................................................... 1
1.2 BACKGROUND TO THE STUDY .................................................................................. 2
1.2.1 Industry Analysis using Porter’s Five Forces Model .............................................. 2
1.2.2 Supermarket Market Share .................................................................................... 4
1.2.3 Economic Overview ............................................................................................... 5
1.2.4 Regulatory Environment ....................................................................................... 6
1.3 BACKGROUND TO OK ZIMBABWE ......................................................................... 7
1.3.1 OK Zimbabwe’s Operational Performance ............................................................ 7
1.3.2 Strategies Adopted Between 2009 to 2013 ............................................................. 8
1.3.3 OK’s Financial Performance .................................................................................. 9
1.4 RESEARCH PROBLEM .............................................................................................. 11
1.5 RESEARCH OBJECTIVES ......................................................................................... 12
1.6 RESEARCH QUESTIONS ............................................................................................ 12
1.7 RESEARCH HYPOTHESES ...................................................................................... 12
1.8 JUSTIFICATION ......................................................................................................... 13
1.9 SCOPE OF RESEARCH ............................................................................................... 13
1.10 ETHICAL ISSUES ...................................................................................................... 13
1.11 LIMITATIONS OF THE STUDY ............................................................................. 13
1.12 DISSERTATION STRUCTURE ................................................................................. 14
1.13 CHAPTER SUMMARY .............................................................................................. 14
CHAPTER TWO .................................................................................................................. 15
2.0. LITERATURE REVIEW ............................................................................................ 15
2.1 INTRODUCTION ......................................................................................................... 15
2.2 DEFINITIONS ............................................................................................................. 15
2.2.1 Strategy .................................................................................................................. 15
2.2.2 Acquisition ............................................................................................................ 16
2.2.3 Business Model ................................................................. 17
2.2.4 Competitive Advantage .................................................... 17

2.3 STRATEGIC GROWTH ......................................................... 18
2.3.1 Acquisition Types .......................................................... 19
2.3.2 Drivers and Motives of Acquisitions ................................... 19
2.3.3 Justification of Acquisitions .............................................. 21
2.3.4 Acquisition Pitfalls .......................................................... 21
2.3.5 Successful Acquisitions ................................................. 21

2.4 ACQUISITION PERFORMANCE MEASURES .......................... 22
2.4.1 Accounting Based Measures ............................................ 23
2.4.2 Managers’ Assessments .................................................... 24
2.4.3 Relationship Among these Measures ................................. 24

2.5 RETAIL MODELS ............................................................. 25
2.5.1 Store Based Retailing ....................................................... 25
2.5.2 Supermarket .................................................................. 26
2.5.3 Hypermarket ................................................................. 26
2.5.4 Non-store Retailing .......................................................... 27
2.5.5 Retail Convergence ......................................................... 28

2.6 COMPETITIVE ADVANTAGE ............................................. 29
2.6.1 Creating and Sustaining Competitive Advantage .................. 29
2.6.2 Types of Competitive Advantage ...................................... 29
2.6.3 Sources of Competitive Advantage ................................... 30
2.6.4 Evaluating Competitive Advantage through Organisational Performance ........................................... 31

2.7 VARIABLES AND THEIR RELATIONSHIP ............................. 32
2.7.1 Independent Variables ..................................................... 32
2.7.2 Dependent Variables ...................................................... 33
2.7.3 Control Variable ............................................................ 33

2.8 LITERATURE SYNTHESIS AND CONCEPTUAL MODEL .......... 33
2.8.1 Conceptual Model .......................................................... 35
2.8.2 Summary of Hypothesis .................................................. 35

2.9 CHAPTER SUMMARY ......................................................... 36
CHAPTER THREE ........................................................................................................... 37

3.0. RESEARCH METHODOLOGY ............................................................................. 37
3.1 INTRODUCTION .................................................................................................... 37
3.2 METHODOLOGICAL FRAMEWORK .................................................................... 37
3.3 RESEARCH DESIGN ............................................................................................... 38
3.4 RESEARCH PHILOSOPHY ..................................................................................... 38
3.5 RESEARCH APPROACH ......................................................................................... 39
3.6 RESEARCH STRATEGY ........................................................................................... 39
  3.6.1 Unit of Analysis ................................................................................................. 40
  3.6.2 Research Choices ............................................................................................ 40
  3.6.3 Time Horizon .................................................................................................. 41
3.7 POPULATION AND SAMPLING TECHNIQUES .................................................. 41
  3.7.1 Sample Size .................................................................................................... 41
  3.7.2 Stratified Random Sampling ............................................................................ 41
3.8 DATA COLLECTION METHODS .......................................................................... 42
  3.8.1 Research Instrument ....................................................................................... 42
  3.8.2 Variables .......................................................................................................... 42
  3.8.3 Research Assumptions .................................................................................... 42
  3.8.4 Pilot Test .......................................................................................................... 43
  3.8.5 Questionnaire Administration ....................................................................... 43
3.9 RESEARCH LIMITATION ....................................................................................... 43
3.10 DATA ANALYSIS ................................................................................................ 44
3.11 VALIDITY AND RELIABILITY ............................................................................ 44
3.12 ETHICS AND VALUE .......................................................................................... 44
3.13 CHAPTER SUMMARY .......................................................................................... 45

CHAPTER FOUR ........................................................................................................... 46

4.0. INTRODUCTION .................................................................................................. 46
4.1 RESPONSE RATE ................................................................................................. 46
4.2 RELIABILITY TESTS ............................................................................................. 46
4.3 FREQUENCY ANALYSIS ...................................................................................... 47
  4.3.1 Employment Level .......................................................................................... 47
  4.3.2 Years of Experience With the Organisation ..................................................... 48
  4.3.3 Engaged During Implementation of Strategy .................................................. 49
4.4. DESCRIPTIVE ANALYSIS ............................................................................. 50
  4.4.1 Economic Factors .................................................................................. 50
  4.4.2 Legislation Change ............................................................................... 51
  4.4.3 Strategy .................................................................................................. 52
  4.4.4 Business Model ..................................................................................... 52
  4.4.5 Profitability ............................................................................................ 53
  4.4.6 Growth ................................................................................................... 54
4.5. CROSS TABULATIONS ........................................................................... 55
  4.5.1 Profitability Relative to Industry Average ............................................. 55
  4.5.2 Profitability Due to Wider Product Range .......................................... 56
  4.5.3 Profitability as an Indication of the Strategy Success ......................... 56
  4.5.4 Wholesale-Retail Model and Strategic Goals ...................................... 57
4.6. NORMALITY TEST .................................................................................... 58
4.7. CORRELATION TEST .............................................................................. 59
4.8. REGRESSION TEST .................................................................................. 62
  4.8.1 Predictors of Growth ............................................................................ 62
  4.8.2 Predictors of Business Model .............................................................. 64
  4.8.3 Predictors of Profitability ...................................................................... 66
  4.8.4 Model Framework ............................................................................... 68
4.9 DISCUSSION OF RESULTS .................................................................... 68
  4.9.1 Impact of Macroeconomics on Growth .............................................. 68
  4.9.2 Impact of Strategy on Growth .............................................................. 69
  4.9.3 Impact of Strategy on Business Model ................................................. 69
  4.9.4 Impact of Legislation on Business Model ............................................ 70
  4.9.5 Impact of Business model and Growth on Profitability ....................... 70
  4.9.6 Overall Impact of Strategy on Profitability ......................................... 70
4.10 CHAPTER SUMMARY ............................................................................. 71
CHAPTER FIVE ................................................................................................. 72
5.0. CONCLUSIONS AND RECOMMENDATIONS ...................................... 72
5.1 INTRODUCTION ....................................................................................... 72
  5.2.1 Hypothesis Validation ......................................................................... 72
  5.2.2 Modified of Conceptual Framework ................................................... 72
5.2 CONCLUSIONS .......................................................................................... 74
LIST OF TABLES

Table 1.1: Zimbabwe Inflation and GDP for 2009-2013 ........................................ 5
Table 2.1: Supermarket vs. Hypermarket Characteristics ....................................... 27
Table 4.1: Cronbach Alpha Summary ......................................................................... 47
Table 4.2: Likert Scale Responses ............................................................................ 50
Table 4.3: Responses to Economic Factors .............................................................. 51
Table 4.4: Responses to Legislation Change ............................................................. 51
Table 4.5: Responses to Strategy ............................................................................. 52
Table 4.6: Responses on Business Model ................................................................. 53
Table 4.7: Responses on Profitability ....................................................................... 54
Table 4.8: Responses on Growth ............................................................................. 54
Table 4.9: Normality Tests of Variables ................................................................... 59
Table 4.10: Correlation Tests .................................................................................. 61
Table 4.11: Model Summary of Growth ................................................................... 63
Table 4.12: Annova Test for Growth ........................................................................ 63
Table 4.13: Regression Table for Growth .................................................................. 64
Table 4.14: Model Summary of Business Model ....................................................... 64
Table 4.15: Annova Tests for Business Model ......................................................... 65
Table 4.16: Regression Tests for Business Model ..................................................... 66
Table 4.17: Model Summary for Profitability ............................................................ 66
Table 4.18: Annova Tests for Profitability ................................................................. 67
Table 4.19: Regression Tests for Profitability ............................................................ 68
LIST OF FIGURES

Figure 1.1: Industry Analysis Using Porter's Five Forces Model ......................... 2
Figure 1.2: 2010 Supermarket Retail Market Share ........................................ 4
Figure 1.3: 2013 Supermarket Retail Market Share ......................................... 5
Figure 1.4: OK Zimbabwe Sales & Profits .................................................. 9
Figure 1.5: OK Zimbabwe Profitability Ratios ............................................... 10
Figure 1.6: OK Zimbabwe Profitability Growth Rate .................................. 11
Figure 2.1: Research Conceptual Framework ........................................... 35
Figure 3.1: Research Onion .......................................................................... 37
Figure 4.1: Responses by Employment Level ............................................ 48
Figure 4.2: Responses by Years of Experience .......................................... 49
Figure 4.3: Responses based on Engaged During Implementation of Strategy 50
Figure 4.4: Profitability Relative to Industry Average .................................. 55
Figure 4.5: Profitability Attributed to Wider Product Range ....................... 56
Figure 4.6: Profitability as a Strategy Success Indicator ................................ 57
Figure 4.7: Business Model and Strategic Objective Achievement ............... 58
Figure 5.1: Modified Conceptual Framework of Competitive Advantage ....... 73
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>OK</td>
<td>OK Zimbabwe Ltd</td>
</tr>
<tr>
<td>Group</td>
<td>OK Zimbabwe Ltd</td>
</tr>
<tr>
<td>ZSE</td>
<td>Zimbabwe Stock Exchange</td>
</tr>
<tr>
<td>GNU</td>
<td>Government of National Unity</td>
</tr>
<tr>
<td>CTC</td>
<td>Competition and Tariff Commission</td>
</tr>
<tr>
<td>ZCA</td>
<td>Zimbabwe Competition Act</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>TM</td>
<td>TM Supermarket</td>
</tr>
<tr>
<td>SPAR</td>
<td>Spar Stores</td>
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<td>ZIMRA</td>
<td>Zimbabwe Revenue Authority</td>
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CHAPTER ONE

1.0. INTRODUCTION

Firms adopt different strategies to grow and expand their businesses and products. Organisations have adopted numerous alternatives to engage in growth through internal or external development. Increased competition has prompted businesses to opt for strategic choices such as diversification through mergers and acquisitions for both domestic and international growth. However, the ability for organisations to defend and consolidate their positions as leaders in the industry they operate in has proven to be quite challenging due to the common challenge of the generic nature of strategies. This has resulted in strategies easily copied from one firm to another and has shortened the upper hand which organisations have. The Zimbabwean supermarket retail industry has been operating in a growing economy with low money supply. This has resulted in firms engaging in price wars, bigger and better promotions enticing the customers with value for money offerings. The battle for the market share and the desire to remain profitable have been the driving forces in response to the changes. This research studied the acquisition growth strategy adopted by OK, the resultant impact on the business model and profitability. The aim of the research was to evaluate the impact of growth strategies on competitive advantage. This objective established important management lessons from the Group’s experiences.

1.1 ACQUISITIONS

Acquisitions have been a popular growth strategy used by firms, but the success of this strategy has been limited. Several reviews indicate that, on average, firms create little or no value by making acquisitions Hitt, Harrison and Ireland (as cited in Hitt, et al., 2009). The study of acquisitions and their success or failure with regards to organisational performance has been part of strategic management, corporate finance, and organizational behaviour literature for many decades. The literature is rich with studies on Mergers and Acquisitions but very few of these studies, if any, have focused on the effect of acquisitions on corporate growth.
and profitability. This study contributes to research gap by addressing the issue of acquisition as the best solution to pursue profitability.

1.2 BACKGROUND TO THE STUDY

The supermarket retail industry is comprised of formal and informal traders, large corporate retailers and independent small retailers. Within the formal sector, market share is predominantly determined by the number of stores each retailer operates. The three recognized large retailers are OK Zimbabwe, TM supermarkets and SPAR. While smaller informal retailers exist it is difficult to assess their market share due to inaccessibility of financial statements relating to sales and profitability.

1.2.1 Industry Analysis using Porter’s Five Forces Model

According to Porter (2008), there are five competitive forces which influence industry profitability, define industry structure and shape the nature of competitive interaction within an industry. These are established rivals, the threat of new entrants, and the threat of substitutes, the bargaining power of customers and the bargaining power of suppliers.

**Figure 1.1: Industry Analysis Using Porter’s Five Forces Model.** Source: Adapted from Porter (2008). The Five Competitive Strategies that Shape Strategy.
(i) Extent of Industry rivalry. 2010 saw OK under stocked with stiff competition from SPAR, Afro Foods and small retailers taking its market share. Unlike its main peers, TM Supermarkets and SPAR, OK Zimbabwe was first to execute store refurbishments and increased opening more stores. In 2011, Pick & Pay South Africa increased its investment in TM with the purchase of an additional 24% stake, worth US$13million, shifting its shareholding to 49%. The initiative resulted in two TM stores being re-branded as Pick n Pay stores (AfricaGoodNews, 2010).

(ii) Threat of entrants. The supermarket industry was characterized by large volumes of entrants in 2009, attributed to the economic challenges which saw a rise in imports to counter shortages and the low barriers of entry which made it easy for new firms to start business in the supermarket industry. The rise in competition saw various competitive strategies adopted by firms such as price slashes, increased product offerings and improved service delivery. Afro Foods emerged in 2009 after acquiring 12 stores of CFI Holdings and used price slashing strategies to remain competitive, which made OK expensive in comparison. At the close of 2010 TM was the largest retailer with 51 stores, followed by OK with 49 stores, Spar the largest retail franchise with 50 stores in the northern region alone, while Afro foods had 12 (BizCommunity, 2011).

(iii) Threat of substitutes. A large proportion of smaller retailers remain prominent in the food industry and take the forms of tuck shops and mini stalls.

(iv) Bargaining power of customers. Consumers continuously look for value and economic performance does not stop consumers from buying, instead value is pursued more aggressively. Zimbabwean consumers remain price sensitive and constantly evaluate their shopping habits. Retailers have no choice but to respond in line with these changing consumer trends.

(v) Bargaining power of suppliers. The local manufacturing industry remained constrained since 2009. Credit terms for retailers averaged 30 days with some products such as sugar requiring prepayments. Direct sourcing and leveraging on agencies were used for the foreign supply base mix and this limited the use of middlemen and lower production costs. Retailers resorted to
the importation of the majority of their products from South Africa, Zambia and China (Zunga, 2012).

1.2.2 Supermarket Market Share

Although the economy grew between 2009 and 2010, OK realized that its market share had been significantly reduced by the high levels of competition both from the formal and informal sector. Retrenchments and downsizing of industries reduced the levels of disposable incomes and did not make it easy for OK to defend its market share. The volume of new entrants in the retail industry saw traditional retailers such as OK and TM sharing the market they previously dominated. Competitors adopted various strategies to counter OK such as price slashes, increased product offerings and improved service delivery. Afro Foods emerged in 2009 after it acquired 12 stores of CFI Holdings and used price slashing strategies to remain competitive, which made OK expensive in comparison. At the close of 2010 TM was the largest retailer with 51 stores, followed by OK with 49 stores, SPAR the largest retail franchise with 50 stores in the northern region alone, while Afro foods had 12 as shown in Figure 1.2 below (BizCommunity, 2011).

![2010 Retail Market Share](image)

**Figure 1.2: 2010 Supermarket Retail Market Share.** Source: Adapted from Biz Community 2011.

However between 2011 and 2013, OK implemented a number of strategies to regain its market share and positions itself the leading retailer. This was
successfully achieved as OK increased its market share from 30% in 2010 to 36% in 2013 as shown in Figure 1.3. By 2013 OK had 54 stores, TM had 50 stores (Meikles, 2013) and SPAR had 45 stores (Innscor, 2012).

Figure 1.3: 2013 Supermarket Retail Market Share. Source: Adapted from OK Zimbabwe Annual Reports, Innscor Annual Report 2012 and Meikles Investor 2013

1.2.3 Economic Overview

2009 saw the end of a decade of persistent political and economic crises. The formation of the Government of National Unity (GNU) and the adoption of the multi-currency regime in early 2009 brought about macroeconomic stability and a favorable environment towards sustained economic growth and recovery. The economy enjoyed relatively stable growth from 2009 to 2011, as depicted in Table 1. However, liquidity challenges, undercapitalisation of most companies, reduced consumer spending due to low disposable income contributed to a decline in growth in 2012. Zimbabwe continues to face challenges; which include liquidity constraints in all sectors, rising utility costs, erratic power supplies, dilapidated infrastructure, and uncertainty regarding the implementation of the Indegenisation Act.

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>Inflation</td>
<td>7.7%</td>
<td>3.1%</td>
<td>4.9%</td>
<td>2.9%</td>
<td>4.6%</td>
</tr>
<tr>
<td>GDP Growth</td>
<td>5.4%</td>
<td>8.4%</td>
<td>10.5%</td>
<td>4.4%</td>
<td>4.96%</td>
</tr>
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</table>

Table 1.1: Zimbabwe Inflation and GDP for 2009-2013. Source: Adapted from Zimstats 2013
1.2.4 Regulatory Environment

The Competition and Tariff Commission (CTC) regulates competition with regards to business transactions and companies’ shareholding composition, under the Competition Act (Chapter 14:28). This Act promotes and maintains competition in the economy, provides for prevention and control of restrictive and unfair trade practices, regulates mergers and acquisitions, prevents and controls monopoly situations; imparting the CTC with functions of price surveillance, monitoring and advisory services on trade tariff matters and government policies (Kubuda, 2004). The CTC handled over 17 merger and acquisition cases between 2010 and 2012 and received $790 838 in merger notification fees. Industries affected included petroleum, financial, retail/wholesale, telecommunications and manufacturing (UNCTAD, 2012). The Indigenisation and Economic Empowerment Act (Chapter 14:33), (hereafter the Indegenisation Act) was passed in 2010. The law’s aim isto indigenise the Zimbabwean economy by promoting the participation of indigenous Zimbabweans in business and the exploitation of economic resources (Magaisa, 2012). Under this Act companies are to ensure that at least fifty-one percent of the shares of every public company and any other business shall be owned by indigenous Zimbabweans. It requires that mergers, acquisitions and restructuring of businesses be notified to the CTC. Such transactions are approved iffifty-onepercent isheld by indigenous Zimbabweans (GOZ, 2007). This act contributed to the increase in merger and acquisition activity between 2010 and 2013 as companies complied to meet its requirements. The Act has become a barrier to entry for foreign companies wanting to set up retail operations in Zimbabwe. The fiscalisation policy introduced in 2010 by Zimbabwe Revenue Authority (ZIMRA) through Statutory Instrument 104 of 2010 required that all registered operators with a turnover of $240 000 and above per annum, record their sales using fiscal memory devices. The effective fiscalisation date was 1 October 2011, and operators who failed to meet the deadline were liable to penalties under the law. Fiscalisation refers to configuring of fiscal devices to enable them to record sales and other tax information on the read-only fiscal memory at the time of sale for use by the tax authorities in Value Added Tax (VAT) administration (ZIMRA, 2011). The policy resulted in OK Zimbabwe purchasing fiscalised point of sale printers.
1.3 BACKGROUND TO OK ZIMBABWE

OK Zimbabwe Limited was incorporated in 1953 as Springmaster Corporation, and was listed on the Zimbabwe Stock Exchange (ZSE) in 2001. The Group is a leading supermarket retailer, providing access to a diverse range of retail products and allied services in Zimbabwe. It currently has 54 stores nationwide trading under three highly recognized brand names OK, Bon Marche, and OKmart (OK Zimbabwe, 2012).

1.3.1 OK Zimbabwe’s Operational Performance

The slow-down in sales was attributable to a civil servants strike in the first part of 2010 and a general tightening of liquidity in the market, which had a negative effect on demand, and spending. Profitability was eroded by the high levels of shrinkage, price reductions to match competition and fridge failures due to power cuts. Given these performance issues, a dividend was not declared in 2010 (OK Zimbabwe, 2010). The challenges of 2010 still prevailed in 2011. All stores were well stocked although the import ban of chickens and dairy products affected performance in early 2011. The appreciation of the Rand against the United States Dollar adversely increased prices of some products. In an effect to combat shrinkage, the Group replaced internal personnel with security companies. Performance improved significantly, sales and profits were above targets but margins were low (OK Zimbabwe, 2011). Some basic products were subjected to quota restrictions but this did not hinder supply as the requisite import permits were secured. Although the Group imported products, it continued to support the local industry through active participation in the “Buy Zimbabwe” campaign. Prices were generally stable with minimal movement linked to the Rand and US Dollar exchange rate fluctuation. Sales and profitability continued to improve. The economic growth experienced between 2010 and 2012 had slowed down. The Group recorded a slightly lower sales growth for 2013. Operating costs were effectively contained and profit margins while maintained (OK Zimbabwe, 2013).
1.3.2 Strategies Adopted Between 2009 to 2013

(i) Short-term debt financing. Normal business operations were resuscitated with the introduction of the multi-currency regime in 2009. Restocking was largely financed through expensive short-term debt, which negatively affected profitability (OK Zimbabwe, 2010).

(ii) Strategic Partnerships. OK began importing products initially from South Africa and partnerships were formed with distributors to supply these imports. Pricing became the main competitive tool but resulted in lower gross profit margins (OK Zimbabwe, 2010). Partnerships also extended to Zambia and China.

(iii) Internal Growth (new business model). In an effort to tackle the problem of lower margins, OK introduced a new store brand named Pax Cash & Carry in 2009. The model was based on serving both the wholesale and retail segments. Six OK stores were re-branded to incorporate this new offering and the sales performance in these stores was satisfactory as the market embraced the new store concept (OK Zimbabwe, 2010). However, this model was later abandoned in 2010 due to stock management challenges.

(iv) Recapitalisation. Early 2010 saw OK raising $20 million through a $15 million rights offer to shareholders and a $5 million private placement with Investec Africa Frontier Private Equity Fund. The funds went towards working capital, branch refurbishments and restocking. Sales continued to increase, but reduced activity was recorded in the last quarter of 2010 (OK Zimbabwe, 2010).

(v) Store Refurbishments and rebranding. OK engaged in store refurbishments to offer customers a modern shopping. The Pax brand reverted to the OK brand, while one OK store was upgraded to the Bon Marche brand. Six stores were refurbished in 2011, nine in 2012 and three in 2013. In total eighteen stores were refurbished during 2009 to 2013 (OK Zimbabwe, 2011).

(vi) Store Expansions. In an effort to increase market share the Group extended its presence in the market by opening three new stores across the OK and Bon Marche brands (OK Zimbabwe, 2012).
(vii) Acquisition (wholesale – retail model). A new growth strategy was adopted to operate in a different market segment. OK acquired the assets of Makro Zimbabwe in 2011 and paid a goodwill of $400,000. The purchase consideration was settled by an issue of shares in the Group, which represented 0.5% of the total shares in issue. The two stores trade under the OKmart brand, offering a wide range of products from electrical appliances to clothing. Marketing expenses increased in an effort to build the OKmart brand (OK Zimbabwe, 2011).

1.3.3 OK’s Financial Performance
The financial performance between 2009 and 2013 indicated that the Group remained profitable throughout this entire period as highlighted in Figure 1.4 and Figure 1.5.

![OK Zimbabwe Sales & Profits](image)

**Figure 1.4: OK Zimbabwe Sales & Profits.** Source: Adapted from OK Zimbabwe Financial Report.

The spike in revenue and profits, as shown in Figure 1.4, was an indication of strategies initiated by the Group to remain competitive. Sales grew from $187
million in 2010 to $479 million in 2013, while profit increased from $1 million in 2010 to $12 million in 2013.

The ratios indicative of profitability are Return on Assets (ROA) and return on Equity (ROE), as shown in Figure 1.5. Both ratios showed significant returns with ROA growing from 5.4% in 2009 to 13.9% in 2013, while ROE grew from 9.2% in 2009 to 26.4% in 2013.

Although the Group remained profitable from 2009 to 2013, the rate at which profitability grew declined as shown in Figure 1.6 below. In 2010, both ROA and ROE had a negative growth rate of -33% and -14% respectively. A significant spike was evident in 2011 when the Group acquired the assets of Makro with ROA growing by 119% while ROE grew by 95%. However, 2012 saw a decline in the profitability growth, which continued in 2013, with ROA growth falling to 58% and 11% in 2012 and 2013 respectively. ROE growth also fell to 55% and 10% in 2012 and 2013 respectively.
1.4 RESEARCH PROBLEM

In today’s business arena, organisations must compete in a complex and challenging context, which is constantly transformed by factors such as legislation changes, globalization, technological developments and macroeconomic challenges such as liquidity. Competitiveness and the need to stay ahead of the pack has become the number one priority of organisations. In reality, most strategies implemented are somewhat generic, and with time, the competitive gap is closed when competition imitates such strategies. The level of increased competition is a constant threat to market share retention and expansion. Although the Group has remained profitable, the major challenge faced by OK Zimbabwe is how to defend and consolidate its position as the leader in the supermarket retail sector.

Figure 1.6: OK Zimbabwe Profitability Growth Rate. Source: Adapted from OK Zimbabwe Annual Reports 2009-2013.
1.5 RESEARCH OBJECTIVES
The main research objective is to evaluate the impact of acquisition strategy on competitive advantage. This will be guided by the following minor research objectives:
(i) To assess the impact of the macro-economic performance on organisational growth.
(ii) To evaluate the impact of the acquisition strategy on the business model.
(iii) To determine the relationship between growth and profitability.
(iv) To evaluate the extent to which the business model contributed to profitability.

1.6 RESEARCH QUESTIONS
The major research question is to what extent acquisition strategy contributes to competitive advantage. This will be guided by the following minor research questions:
(i) What is the impact of macro-economic performance and organisational growth?
(ii) What is the impact of the acquisition strategy on the business model?
(iii) What is the relationship between growth and profitability?
(iv) To what extent did the business model contribute to profitability?

1.7 RESEARCH HYPOTHESES
The research hypotheses are as follows:
(i) H1: There is a positive relationship between economic performance and organisational growth.
(ii) H2: There is a positive relationship between strategy and growth.
(iii) H3: Acquisition strategy has a positive impact on the business model.
(iv) H4: Adverse legislation changes negatively impact the business model.
(v) H5: There is a positive relationship between growth and profitability.
(vi) H6: There is a positive relationship between the revised business model and profitability.
1.8 JUSTIFICATION
Firms adopt different strategies to grow and expand their businesses and products. There are numerous alternatives to engage in growth; these include internal development, strategic alliances or joint ventures. Increased global competition has prompted businesses to opt for mergers and acquisitions as a strategic choice for both domestic and international growth. It is important to note that these transactions have long-term consequences for the organisation, and as such are difficult to change. The bulk of empirical evidence suggests that M&A activity does not in general yield handsome returns. However most of these researches are conducted on firms in the US and UK, which have significantly different political, social and economic factors from Zimbabwe. Therefore research into acquisitions is important because these transactions have significant implications for the organisation’s performance. However, even after decades of research on this issue, the empirical research provides no clear consensus on the impact of these transactions on the firms’ performance (Santos, Ferreira, Reis, & Serra, 2011). This research will demonstrate the impact of acquisitions on competitive advantage.

1.9 SCOPE OF RESEARCH
The research focused on OK’s acquisition growth strategy and the resulting competitive position of the Group. The period reviewed was 2009 to 2013 which highlighted the Group’s performance before and after the acquisition strategy. Respondents engaged included management and staff.

1.10 ETHICAL ISSUES
To ensure that no disrepute between the organization under study and respondents the research was conducted in line with ethical practices centered on respect and trust.

1.11 LIMITATIONS OF THE STUDY
The study was limited to the supermarket retail industry in Zimbabwe. The period under review was 2009 to 2013 which encompassed pre and post-acquisition performance. Due to financial limitations, respondents to
questionnaires were restricted to personnel at OK head office and OKmart Harare.

1.12 DISSENTATION STRUCTURE
The research is structured as follows:
Chapter 2: This chapter reviewed the theoretical literature by various contributors on the research subject.
Chapter 3: This chapter details the research methodology, research design, data collection methods and limitations of the research.
Chapter 4: Presents a discussion, interpretation and analysis of the research findings. It also gives an opinion of the researcher on the research findings.
Chapter 5: This chapter gives the conclusions and recommendations of the researcher to the organisation

1.13 CHAPTER SUMMARY
This chapter introduced the research study by providing the background of the supermarket retail industry in Zimbabwe and OK’s performance. The chapter also described the nature of the research problem and how the research was conducted to address the research problem. The next chapter will look at relevant literature pertaining to the study.
CHAPTER TWO

2.0. LITERATURE REVIEW
The study of acquisition strategy and its success or failure has been part of strategic management, corporate finance and organizational behaviour literature for many decades. Despite the vast amount of research conducted, there is little or no consensus both across and within these disciplines on how to measure its performance, its effect on corporate performance, growth and profitability. The discipline under review is strategic management with emphasis on acquisitions, growth and profitability.

2.1 INTRODUCTION
Organisations operate to the pressures of changing environments in different ways. Growth strategies are popularly pursued as forms of increasing the firm size. The literature will discuss acquisition growth strategy, how it affects the business models applied in retail, its performance evaluation, and the impact it has on the organisation’s growth towards the reinforcement of its competitive position.

2.2 DEFINITIONS
This section will define concepts to be discussed. These are strategy, business model, growth and competitive advantage.

2.2.1 Strategy
Weihrich, Cannice and Koontz (2010) regard strategy as the determination of an organisation’s long-term objectives, the adoption of courses of action, and the allocation of resources necessary to achieve these objectives. Thompson and Strickland (2001) concur that strategy focuses on how to achieve performance targets, outcompete rivals, achieve sustainable competitive advantage, strengthen the organisation’s long-term position, grow the business, satisfy customers and to respond to changing market conditions.
Both definitions highlight the aspect of business continuity in the longer term and the course of action chosen to ensure the existence of the business in the future. Weihrich et al. (2010) bring out the aspect of resources as inputs while Thompson and Strickland highlight the desired outputs of growth, competitive advantage and customer satisfaction in the changing environment. This research will adopt Thompson and Stickland’s definition as it clearly explains the concepts which relate to this study.

2.2.2 Acquisition
Scharf (as cited in Marimuthu, 2008) describes an acquisition as any transaction where a buyer acquires all or part of the assets and business of a seller or part of stock or other securities of the seller, and the transaction is closed between a willing buyer and a willing seller. Machiraju (2003) defines an acquisition as a situation where one organisation acquires another, and the latter ceases to exist. It occurs when one organisation takes controlling interest in another. An organisation that acquires another organisation is an acquirer. A target organisation is a firm being solicited by the acquirer. The acquirer owns the assets of the target organisation, and the target shareholders are paid cash or given shares in the acquiring organisation. According to Hill and Jones (2010), an acquisition occurs when one organisation uses its capital resources, such as stock, debt or cash, to purchase interests in another organisation.

Scharf’s definition describes the environment of the business transaction; willing parties, negotiation process, management agreement and a transfer of part or all of the assets. Machiraju’s definition focuses on a complete business entity being absorbed in another. Hill and Jones definition looks at the aspect of purchasing interests or particular components of the business. All definitions agree on the payment mode, the use of financial resources such as stock or cash. This research will adopt Hill and Jones’s definition where an organisation purchases interests.
2.2.3 Business Model
Hill and Jones (2010), define a business as a conception of how the various strategies and capital investments made by a company should fit together to generate above-average profitability and competitive advantage. It encompasses how an organisation will (i) select its customers, (ii) define and differentiate product offerings, (iii) create value for customers, (iv) acquire and keep customers, (v) lower costs, deliver offerings to the market, (vi) organize activities within the company and configure resources. According to Teece (2010), a business model defines the methods an organisation adopts to deliver value to customers, persuade customers to pay for value and convert those payments to profit. It reflects management’s suggestions about what customers want, how they want it, and how the organisation arranges itself to meet those needs while making a profit.

Contributions from both authors bring out similar concepts of identifying the customers to serve, how to satisfy customers while meeting the corporate objectives. It is evident that the pursuit of growth requires a clear definition of the path to take. This research will adopt Hill and Jones definition as it is comprehensive and articulates in detail the components of a business model.

2.2.4 Competitive Advantage
According to Barney (1991), an organisation has a competitive advantage when it is implementing a value creating strategy which is not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. He further states that sustained competitive advantage depends on the possibility of competition duplication, and that this advantage continues to exist after efforts to duplicate that advantage have ceased. Hill and Jones (2010) argue that an organisation has competitive advantage over competitors when its profitability is greater than the average profitability of all companies in its industry. They further state that it is built and sustained through superior efficiency, quality, innovation, customer responsiveness. The length of time it lasts depends on the barriers to imitation, capability of competitors and the dynamism of the industry environment.
Barney’s view looks at a competitive advantage from an implementation perspective; he highlights the element of value creation, which is non-existent in both existing and future competitors. Hill and Jones incorporate a financial perspective, which also puts emphasis on the value creation highlighted by Barney, and further identify the value creating activities, which sustain advantage. Both authors agree that sustainability is dependent on competition’s ability to imitate the advantage. Hill and Jones expand this viewpoint and include the industry dynamism, highlighting the concept of change. It is important to note that, the rapid advances in technologies in today’s business world have shortened the life spans of competitive advantage. However, both definitions apply in that competitive advantage encompasses the implementation of value creating strategies.

2.3 STRATEGIC GROWTH

Dringoli (2012) defines growth as an increase in a firm’s investments, production and selling capacity. Such growth is not an evolutionary process but the result of managerial decisions directed at modifying the size of the firm in an effort to meet the objectives. Thompson and Martin (2006), state that organisations grow through two modes; limited (internal) growth or substantive (external) growth. Limited growth is achieved through market penetration, market development or product development. Although limited growth involves innovation, it takes time to develop and does not entail major corporate change as it affects competitive strategies. External growth strategies change corporate strategy, involve more ambition and higher risk expansion. Such growth involves the purchase of or agreement with firms (or their assets or other business interests), either behind or ahead of the organisation in the value channel. It may also involve firms or activities that are indirectly related but related through technology or markets. The key objectives for external growth are additional market share and the search for opportunities that create synergy resulting in a larger firm size, increased power and improved profitability (Thompson & Martin, 2006).
2.3.1 Acquisition Types

Thompson and Martin (2006), and Hill and Jones (2010) agree that acquisition strategies are executed through three channels namely, horizontal integration, vertical integration or diversification. Horizontal integration occurs by acquiring a major competitor, or a firm operating in the same stage in the value chain. These two firms may appeal to different market segments rather than compete directly resulting in market share increase and synergy generation through pooled skills and capabilities (Thompson & Martin, 2006).

Vertical integration occurs by acquiring a supplier of inputs of raw materials, or acquiring a customer of products. This can be either backward or forward. Backward vertical integration secures supplies at a lower cost than competitors do, but it is crucial to keep pace with technological developments and innovation on the supply side, or else competitive advantage may be lost. Forward vertical integration secures customers or outlets, guarantees product preference and results in greater control over total marketing efforts. Diversification involves a departure from existing products and markets through either technology or marketing. The new offering may relate to existing offerings. It assumes creation of synergy by enjoying strengths and opportunities, thereby reducing its weaknesses and exposure to risk (Thompson & Martin, 2006).

Diversification can be either related or unrelated. Organisations seeking related diversification look for firms with related products, markets, distribution channels, technologies or resource requirements; which are clear and genuinely capable of generating synergy. However, diversification may be opted as a means of covering up weaknesses or previous poor decisions. Unrelated diversification occurs when there is no relationship between the organisations and their products or markets. Such diversifications are justified on the grounds of being a promising investment opportunity (Thompson & Martin, 2006).

2.3.2 Drivers and Motives of Acquisitions

Organisations are faced with drivers and motives in their decisions. Drivers are the external factors within which the organisation operates but have little influence
on these factors, while motives are internal to the organisation and result in benefits that the organisation accrues. Weston and Weaver (2001) attribute drivers of acquisitions to eight change forces; the accelerated pace of technological change, reduced costs of communication and transportation, the change in markets, expansion of competition, the emergence of new industries, regulations and deregulations in industries, favourable economic and financial environments, and widening inequalities in income and wealth. According to Gaughan (2007), acquisitions are driven by three main motives: (i) expansion by acquiring an organisation is quicker than internal expansion; (ii) synergy realised from operating or financial benefits when two lines of a business complement one another; (iii) diversification allows the organisation to move into other lines of business.

Gaughan (2007) indicates that acquisition volumes move with the difficulties of the economy. Economic downturns tend to be associated with lower economic demand, which puts pressure on weaker companies. The health of the economy is a key factor associated with acquisitions. More acquisitions occur when the economy is growing and at the top of the business cycle. Just as the economic factors shaping the economy move in cycles, the level of acquisitions are also affected by the cognitive state of investors and other market participants.

Industry shocks and changes in government policy also determine acquisition volumes. Acquisitions are not evenly spread across all sectors of the economy. They tend to be clustered in particular industries and respond to specific changes in those industries and government policy. For example, in 2011 the Competition and Tariff Commission in Zimbabwe handled increased cases of merger and acquisition applications. The CTC assistant director Benjamin Chinhengo cited that the rise in cases was due to four factors; liquidity challenges, the need to be able to compete, the need to meet the indigenisation plan requirements (As stipulated in the Indigenization Act), and the need to meet recapitalisation requirements in the banking industry (Newsday, 2011).
2.3.3 Justification of Acquisitions
Organisations have different reasons for engaging in acquisitions as opposed to internal growth, and these range from financial capabilities to responding swiftly to market changes. Hill and Jones (2010) identify four scenarios that justify the use of acquisitions as a growth strategy; lack of distinct competence, the need to move fast, less risk and entry into protected industries. An organisation may use its financial resources to purchase an established organisation that has the desired competencies it seeks. When an organisation lacks the competencies to develop those competencies, it may establish a presence in a growing industry by purchasing a firm instead of investing years of building a market leadership position through internal growth. Acquisitions involve less uncertainty as the organisation acquires a firm with an already established reputation, market share and profitability, thereby making business continuity certain. To gain entry into protected industries, an organisation may acquire a recognised firm with established economies of scale and brand loyalty eliminating the need for huge capital expenditures.

2.3.4 Acquisition Pitfalls
Although acquisitions are a popular strategy and have their advantages, they also have their downsides. Hill and Jones (2010) cite that many acquisitions are unsuccessful because organisations fail to anticipate the difficulties associated with implementing, integrating and managing new organisations with existing operations. They identify four reasons as to why acquisitions fail to raise the performance of organisations; (i) Integration problems associated with differing organisational structures and cultures, (ii) overestimation of the potential economic benefits from the acquisition, (iii) acquisitions become expensive such that they do not increase future profitability, and (iv) negligence in the screening of targets resulting in the failure to identify problems with business models.

2.3.5 Successful Acquisitions
In order to evaluate acquisition performance it is necessary to first determine what makes an acquisition growth strategy a success. Straub (as cited in Kithitu, Cheluget, Keraro, & Mokamba, 2012) indicates that although the definition of
success varies, any activity that fails to enhance shareholders’ interest and value cannot be termed a success. Shareholders expect the organisation, which emerges from the acquisition, to operate more efficiently as the organisation benefits from economies of scale, and synergies, therefore operating costs and capital investments are reduced while cash flows improve (Kithitu et al., 2012). In their research Hitt, Harrison, Ireland and Best (1998) define the success of acquisition strategy in terms the pre-acquisition strategies drafted, the acquisition process and post-acquisition integration. They cite that complementary resources result in synergies and competitive advantage, friendly acquisitions result in better interactions, favourable debt positions result in reduced risks, while the focus on core business maintains long-term competitive advantage.

The unsuccessful factors include changes in organisational structure, which negatively impact the organisation’s reputation, while diversification often results in loss of strategic control due to lack of business knowledge. Dutta, Dutta and Das (2011) concur the drive behind acquisition strategy is to create value over and above that of the sum of the two organisations’ resources. It can add value by creating higher returns on shareholder investments, achieving economies of scale through cost reductions and achieving cost savings through reduced administration functions, which all result in higher profits. From the authors discussed in this section, there is a consensus that success is defined with regard to value created in terms of returns, profits, improved operational efficiencies. Hitt et al. (1998) go on to identify the prerequisites of success, which range from complementary resources to the financial position of the organisation.

2.4 ACQUISITION PERFORMANCE MEASURES
According to Zollo and Meier (2008) researchers have differed in the definition of performance and the models used to evaluate acquisition performance. Two objective criterion favoured by finance and economics scholars are market based measures and accounting returns, while strategic management and organizational behaviour scholars opt for managers’ assessments. These one-dimensional methods of evaluating performance are somewhat responsible for the inconsistent results presented concerning the foundation of successful
acquisition strategies (Papadakis & Thanos, 2010). However, various researches adopt subjective, objective or mixed measures. Wang and Moini (2012) identify five commonly used performance evaluation approaches; (i) event studies (stock-market-based measures); (ii) accounting-based measures; (iii) managers’ subjective assessments; (iv) expert informants’ assessment; (v) divesture.

2.4.1 Accounting Based Measures

Accounting-based measures of performance take a long-term perspective of acquisition performance and embody actual, realized returns. This consists of a comparison of accounting measures prior and subsequent to an acquisition. The rationale behind these studies is that the strategic aim of a business is to earn a satisfactory return on capital, and benefits arising from acquisitions are reflected in the firm’s accounting statements (Tuch & O’Sullivan, 2007) and (Wang & Moini, 2012). A wide range of accounting ratios in acquisition performance assessment are used such as Return on Assets (ROA) and Return on Equity (ROE). The strengths of these measures are that they capture realized returns; valuable information is gained to assess acquisition effect and considers the effects of multiple motives. Weaknesses of accounting measures comprise of reflecting past rather than present performance expectations; distortion of accounting data through manipulation; accounting standards differ across countries and change overtime which limits the validity of accounting data; failure to evaluate the success of a specific acquisition due to aggregated data measuring the performance of the whole organization, some financial ratios are affected by the method of accounting and financing for the acquisition. Empirical evidence of post acquisition performance measured by accounting based approaches are generally ambiguous. When conventional accounting measures are used, the evidence is somewhat mixed but there is no clear evidence of improved post-acquisition performance (Tuch & O’Sullivan, 2007). Kumar (as cited in Ismail, Abdou, & Annis, 2011) found that the post-acquisition profitability, assets turnover and solvency of the on average, show no improvement when compared with pre acquisition values. Lu (as cited Tuch & O’Sullivan, 2007) reported a negative industry adjusted ROA. In contrast to the above, some studies report that an acquisition may improve a firm’s performance (Papadakis & Thanos, 2010).
2.4.2 Managers’ Assessments

Executives are asked to rate to what extent they have realized their preliminary objectives several years after completing the acquisition. Their initial objectives are described using financial or non-financial ratios. They are asked to give their “overall” rating of the entire performance of the acquisition, to establish convergent validity (Schoenberg, 2006). Zollo and Meier (2008) indicate that management assessments have been used in 14 percent of the researches they reviewed. Strengths identifies of this measure include private information use to get an in-depth review, multi-dimensional assessment of using both financial and non-financial information, multiple motives of acquisitions are considered, suitable to use managers’ perception of acquisition performance, as their perception of success influences their action (Papadakis & Thanos, 2010). This measure is also applicable across all types of acquisitions (Schoenberg, 2006).

Weaknesses of this measure include managerial bias as multiple respondents are required (Schoenberg, 2006), dependency on managers’ accurate recollection; results are subject the respondents’ familiarity with the original objective of acquisition (Datta, 1991). A majority of empirical evidence reports that 44–53 percent of the managers interviewed appeared to be dissatisfied with their acquisition’s performance relative to the goals set before the deal closed (Schoenberg, 2006). Bruner (as cited in Wang & Moini, 2012) reviewed 13 studies, which had surveyed executives to assess acquisition performance and found 6 out of 13 studies suggested negative results, and the remainder were neutral or positive. Of the executives polled; 58 percent believed their deals created value, while 23 percent believed their deals did not create value; 51 percent believed they achieved their strategic goals, while 31 percent believed they did not achieve their strategic goal.

2.4.3 Relationship Among these Measures

Different measures highlight various aspects of acquisition performance, and these measures usually offset each other’s shortcomings. Many studies have attempted to examine the relationship between these measures. The major feature of these studies is using a mix of market based and accounting based measures to examine the effect of acquisition strategy on financial
performance (Ismail, Abdou, & Annis, 2011). These are referred to as mixed measure studies. Schoenberg (2006) found no correlation between objective and subjective measures of acquisition performance apart from the relationship between managers’ and expert informants’ subjective assessments. Zollo and Meier (2008) study that found short-term event study was not linked to any of the other performance measures. Papadakis and Thanos (2010) concluded that the capital market is not efficient enough to predict the long-term success of an acquisition.

2.5 RETAIL MODELS

According to Hill and Jones (2010), the key to understanding competitive advantage is appreciating how the different strategies pursued over time can create activities that fit together to make a company unique from its rivals and able to consistently outperform them. The concept of retail business models adequately explains this phenomenon and it is important to discuss how it ties together with literature reviewed on acquisition strategy. Retailers have various options to reach their target market through retail models. Retail models evolve in response to changes in the competitive environment and the basic components are the same but the relative degree of focus is the basis for the formation of different retail models (Madaan, 2009). Various authors classify retail models according to different bases such as: (i) distribution method through store and non-store formats (Madaan, 2009) and (Dunne, Lusch, & Carver, 2011); (ii) food oriented merchandise verses non-food merchandise (Madaan, 2009); (iii) marketing instruments (Krafft & Mantrala, 2010), ownership and merchandise mix (Pradhan, 2009).

2.5.1 Store Based Retailing

Store based retailers operate from a fixed store location that requires customers to travel to the store to view and purchase products. This is the traditional form of retailers. Non-store based retailers reach customers at home or works through virtual stores (Dunne, Lusch, & Carver, 2011). Pradhan (2009), goes on to extend this classification by splitting further according to ownership and merchandise mix. Based on the ownership a retail store can be an independent retailer, a chain
retailer or corporate chain retailer, a franchise or consumer co-operative. A chain retailer owns two or more outlets, which are characterised by similarity in merchandise offered to the consumer, ambience, advertising and promotions. This form of retailer enjoys bargaining power over suppliers, cost effectiveness in advertising and promotions. Classification of retailers according to merchandise mix is in terms of food and general merchandise can be further broken down according to target markets served. Speciality stores, department stores and convenience stores cater for specific markets; while supermarkets, discount stores and hypermarkets cater to a mass market and are often referred to as product retailers (Pradhan, 2009). Madaan (2009) agrees with the mass-market classification stating that food retailers also sell general merchandise but the proportion of sales for food items is significant. Non-food or general merchandise retailers are when more than half of sales arise from non-food items such as electric goods and clothing among others.

2.5.2 Supermarket
Pradhan (2009) classifies supermarkets as large, low cost, low margin, high volume self-service operations, designed to meet the need for food and non-food items. In terms of selling area, it is between 400 square metres and 2500 square metres and sells at least 70% of its merchandise. Krafft and Mantrala (2010) define the supermarket as a self-service store occupying 400 to 2500 square meters. This type of store is adopted as the retail model in this study as it adequately describes the Group's operations.

2.5.3 Hypermarket
A hypermarket is a retail store with a sales area of over 2500 square metres, with at least 35% of selling space devoted to non-grocery products. These are synonymous with one stop shopping. These differ from other retail formats because they are destination locations and they attract customers from a large area with their low prices, unique range and offers (Pradhan, 2009). (Krafft & Mantrala, 2010), defines hypermarket as self-service shops with a high selling area exceeding 5000 square meters and a high turnover. Table 1 below compares the different features of supermarkets and hypermarkets in terms of
product and size. The definition of the hypermarket as indicated by both authors is used to refer to the wholesale –retail model that OK adopted, and will be used as the format to describe the concepts of the wholesale-retail model. The definition covers the aspect of larger shop size and lower prices.

<table>
<thead>
<tr>
<th></th>
<th>Supermarket</th>
<th>Hypermarket</th>
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<tr>
<td><strong>Service</strong></td>
<td>Self-service</td>
<td>Self service</td>
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<td>Large parking lot</td>
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<tr>
<td><strong>Product</strong></td>
<td>Wide variety of food &amp;</td>
<td>Wide assortment</td>
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<td></td>
<td>household merchandise</td>
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<tr>
<td><strong>Location</strong></td>
<td>Near residential area</td>
<td>Suburban or out of town</td>
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<tr>
<td><strong>Sales promotion</strong></td>
<td>Mass media (TV, newspapers)</td>
<td>Effective merchandising</td>
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<tr>
<td><strong>Size</strong></td>
<td>400 – 2500 square metres</td>
<td>2500 square metres and above</td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
<td>Low margins,</td>
<td>Low prices</td>
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Table 2.1: Supermarket vs. Hypermarket Characteristics. Source: Adapted from Krafft & Mantrala (2010). Retailing in the 21st Century.

2.5.3 Non-storeRetailing

Pradhan (2009), states that this involves selling directly to the consumer. This includes direct selling, catalogues and electronic shopping. Electronic shopping allows customers to purchase the products from their homes. The success of this retail model depends on products offered and the retailer’s ability to deliver the product on time to the customer. Retailers worldwide are opting to have both store and non-store presence in the form of online shops. However, in Zimbabwe, this is an unpopular concept largely due to macroeconomic performance and lack of technical capacity. The retail formats discussed link with the concept of strategic growth and competitive advantage. Retail models adopted are an extension of the corporate strategy and serve the same objectives of profitability and competitiveness. Applying growth concepts to retail model, it is evident that retailers can opt to grow through a variety of methods.
2.5.4 Retail Convergence
Retail convergence occurs when most stores offer the same type of merchandise mix and services but differ in pricing. This arises when retailers attract every type of customer to increase sales and profitability. Retail convergence has also made retail model classification useless, as retailers do not want to rely on a single model to generate revenues. As such, retailers today are opting to utilise multiple retail models to reach their customers, increase sales and improve profitability (Madaan, 2009).

2.5.5 Retail Growth Challenges
Retailers are in direct contact with consumers, and as such are always in motion and require innovation to follow the customer tastes and consumption trends. Continuously changing customer needs increase the intensity of competition as organisations respond to changes in purchasing behaviour. Such competitive pressures are the driving forces of growth, however internal growth may be insufficient which often makes external growth a less costly and profitable strategic alternative in the longer term (Akgobek, 2012). Although growth has its advantages of synergies, economies of scale and competitive advantage it does have its challenges. Venturing into new models presents the challenge of cannibalisation and channel conflict (NetIndustries, 2013). Cannibalism is a business process whereby engaging in one activity or practice necessarily eats into another activity or practice. It can take place within a firm, between businesses, or across industries (NetIndustries, 2013). According to Hindle (2008) cannibalism occurs when a firm introduces a new offering in a market where there is little scope for further growth and that offering eats into the share of the market’s existing offerings. This can also occur within an organisation when new offerings introduced eat the market share of existing ones (Hindle, 2008).

Channel conflict arises when two different channels compete for the same sale with the same brand. This conflict can take the form of two different types of competing distributors or, two similar distributors competing for the same
sale (Cullotta, 2009). Competing distribution channels result in cannibalism. The introduction of new channels means that existing channels lose meaning and turnover. The extent to which cannibalism affects the organisation depends on customer habits and management’s anticipation of the expected loss (Heinemann & Schwarzl, 2010). Cannibalisation effect is largely evident in retail industries when an organisation opens up a new retail store that is geographically located to another retail store.

2.6 COMPETITIVE ADVANTAGE
The incentive for organisations to engage in acquisitions is to gain competitive advantages over competitors and to become more cost efficient. Organisations hope to increase market share, market power and achieve greater efficiency (Dutta, Dutta, & Das, 2011).

2.6.1 Creating and Sustaining Competitive Advantage
According to Ghemawat and Rivkin (2006) industry analysis is crucial to creating competitive advantage. They identify three principles of competitive advantage; strategy, industry conditions and industry structure. Companies generate competitive advantage by devising strategies that neutralise the unattractive features of their industries and exploit the attractive features. Industry conditions largely influence on whether competitive advantages exist and are attainable. Market leaders face a tension between managing industry structure and pursuing an advantage within that structure. Ghemawat and Rivkin (2006) add on further that to create an advantage a firm must construct itself to do something unique and valuable. The source of an organisation’s competitive advantage is from the full range of its activities acting in harmony; such as production, finance, marketing and distribution. The essence of creating advantage is finding an integrated set of choices that distinguishes a firm from its rivals.

2.6.2 Types of Competitive Advantage
The type of competitive strategy chosen by an organisation is based on its resources and competencies; as such, strategies provide focus and direct organisational activities (Ehlers & Lazenby, 2004). Porter (1985) identified two
basic types of competitive advantage, which he refers to as competitive strategies, cost advantage and differentiation advantage. Cost advantages arise when an organisation is able to deliver the same benefits as competitors but at a lower cost, while differentiation advantage arise when the organisation delivers benefits which exceed those of competing offerings. Cost advantages result in lower prices to the consumer, while differentiation offers customers innovative products with new features or integrated services.

2.6.3 Sources of Competitive Advantage

Competitive advantage is available to organisations from numerous sources such as resources (Barney, 1991), the value chain (Porter, 1985) and the retail mix (Dunne, Lusch, & Carver, 2011). The resource-based view (RBV) explains how organisational resources drive firm performance in a dynamic and competitive environment. It holds that an organisation’s resources are more important than the industry structure in an attempt to gain and keep its competitive advantage (Ehlers & Lazenby, 2004). Applied to acquisitions, this view suggests that resources motivate and direct growth (Hitt, et al., 2009). Daft (as cited in Barney, 1991), defines firm resources as all assets, capabilities, processes, attributes, information and knowledge controlled by an organisation that enable it to conceive of and implement strategies that improve efficiency and effectiveness. Barney (1991) emphasises that resources are a source of competitive advantage as long as they are valuable, rare, not imitable and no substitutes for such resources exist.

Human capital is considered the most important and critical resource for competitive advantage because it difficult to imitate although it is more mobile than other intangible resources and may seem an unlikely source of sustained competitive advantage. However, the mobility of human capital is less a threat to competitive advantage because when an organisation integrates human capital with other complementary resources and uses this integration to create organizational capabilities, loss of a few individuals may not lead to a loss of competitive advantage (Njuguna, 2009). Cording, Christman and King (as cited in Hitt, et al., 2009), argue that high employee turnover erodes the human capital in
reduces the performance, harms the long-term value of the acquired firm’s assets and profitability.

Competitive advantage may be realised in the value chain activities of an organisation; this includes production, finance and marketing among others (Porter, 1985). Retail stores gain competitive advantage from their retail mix, which is comprised of price, product, promotion, store layout, customer service and location (Dunne, Lusch, & Carver, 2011). These advantages are evident in the form of lower prices, wide product range, quality products, value for money, superior sales service, secure parking areas, experienced or personnel, product displays.

2.6.4 Evaluating Competitive Advantage through Organisational Performance

It’s important to briefly discuss organisational performance and how it relates to the literature reviewed so far. The growth strategy chosen with defined success indicators, the business model and retail mix all impact organisational performance. The level of organisational performance goes on to reflect competitive advantage. The concept of performance covers two aspects; what has been achieved and how it has been achieved (Armstrong, 2009). Definitions of organisational performance capture different aspects as it is measured in numerous terms such as financial (market value, profit), operations (efficiency, service quality), and marketing (customer satisfaction). Kotane and Kuzmina – Merlino (2012) state that the evaluation of organisational performance includes financial and non-financial indicators. Two measures commonly used to determine organisational performance are financial and strategic. Financial performance is concerned with profitability, liquidity, return on investment and productivity; while strategic performance is concerned with growth performance, competitiveness, market share and the long term business position (Thompson & Strickland, 2001).

Verweire & Berghe (2005) define organisational performance in terms of the value an organisation creates using productive assets in comparison to the value that
the owners of these assets expect to obtain. If the value created is above the expected value, then the owners of the assets will make them available to the organisation. However, if the value created is less than expected, the owners may look for other alternatives and withdraw their support.

Sluyter (1998) defines organisational performance as an organisation’s overall effectiveness in meeting the identified needs of each of its stakeholders through systematic efforts that continuously improve its ability to address those needs effectively. Both contributors view organisational performance as a process which requires inputs for desired outputs. Verweire and Berge emphasise on owners of assets which implies financial measures, however, this fails to consider other stakeholders who do not avail assets; such as customers, suppliers, and society. Sluyter, however, considers all stakeholders involved which implies the strategic measures and goes beyond the financial aspect of organisational performance. Both contributors identify the need to generate value and the need to meet the objectives or expectations of stakeholders. This research considers profitability as an indication of competitive advantage, and evaluation of the organisation will be based on this measure.

2.7 VARIABLES AND THEIR RELATIONSHIP

The research identifies six variables. The independent variables are strategy, economic performance and legislation change. The dependent variables identified are the retail model, growth and profitability. The control variable identified is the human capital.

2.7.1 Independent Variables

(i) Economic performance refers to the growth and trends in the economy. These are assessed in terms of its impact on the sales growth, business model and profitability.

(ii) Legislation changes refer to changes in policies. These are assessed in terms of their impact on service delivery, profitability and business model.

(iii) Strategy refers to the organisation’s decision to acquire interests in another organisation with related resources. The strategy will be evaluated in terms of the strategic motives, the definition of its success and how it meets overall
corporate goals. Weston & Weaver, (2001) indicate that acquisitions increase revenues and market share, improve profitability, and enhance corporate goals.

2.7.2 Dependent Variables

(i) Business model refers to the chosen approach to reach the market and reflects the output of the organisation against its intended goals. This will be measured by the retail mix (product, price, merchandising) and store (wholesale, retail and both).

(ii) Growth refers to growth in sales. Sales growth usually translates into wider customer base and increased market share.

(iii) Profitability refers to the ability of the organisation to create and maintain a profitable market share within the retail industry. This will be measured relative to industry average.

2.7.3 Control Variable

Human capital refers to the employees employed by the organisation. Factors considered are the employees’ years of experience with the organisation, whether they were with the organisation when the strategy was executed and their level of employment. As indicated earlier in the literature, it is a source of competitive advantage, however high levels of employee turnover also erode profitability.

2.8 LITERATURE SYNTHESIS AND CONCEPTUAL MODEL

The literature reviewed four underlying theories relating to the study; acquisition strategy; retail business models, organisational performance and competitive advantage. From strategy literature, it is evident that for organisations to grow, resources must be allocated to meet performance objectives, strengthen competitive position and satisfy customer needs. All of this is in response to change organisational motives to adjust to situations. Although acquisitions are an attractive route to achieve the above, there are risks and negative gains attached which require the evaluation of acquisition performance to establish whether such gains are evident. Acquisition performance measures range from
subjective to objective and these different measures highlight different aspects of acquisition performance. Business models refer to the modes that the acquisition strategy can be effectively organised and presented to the target market. Retailers may present this offering as supermarket or hypermarket stores. These two types of retail models differ in size and structure of the retail mix. Modern retailers have shown the increased preference of combining the two models to expand their market reach. However, this modification has presented its own set of challenges in the form of channel conflict. The adoption of strategy and modification of retail models is in pursuit of growth and competitive advantage. Competitive advantage involves environmental assessment to determine if such advantages exist and can be exploited to the benefit of the organisation. This involves an assessment of the organisation’s resources and capabilities, the industry structure and conditions. Sources of competitive advantage are available in the retail mix, value chain and resources of the organisation. Organisational performance is an indication of how strategy, business model and growth contribute to competitive advantage. This performance is expressed in terms of both financial and non-financial terms and incorporates value addition.
2.8.1 Conceptual Model

Figure 2.1 shows the conceptual model developed from the literature reviewed. This framework will be applied in the research. Aspects of industry analysis are addressed by the independent variables, while the retail mix applied in the business model addresses the internal resources and capabilities. The independent variables; economic factors, legislation and strategy influence the dependent variables. The dependent variables emanate in two stages; business model and growth that go on to reflect the final output of profitability. The control variable is human capital.

2.8.2 Summary of Hypothesis

The hypothesis of this research is that acquisition strategy enhances competitive advantage.
2.9 CHAPTER SUMMARY
This chapter looked at various theories underlying acquisitions. The strategic aspect highlighted the classification, motives, drivers, attractiveness and pitfalls of acquisitions. This was linked to business model, performance and competitive advantage. The final part dwelt on how these outcomes are evaluated and their overall implications competitive advantage.
CHAPTER THREE

3.0. RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter will cover the research methodology that the researcher applied in executing the study. It considers the research approach, research instruments used to collect data, the questionnaire administration, sampling approaches and data analysis techniques.

3.2 METHODOLOGICAL FRAMEWORK

Research methodology refers to the theory of how research should be undertaken, including the theoretical and philosophical assumptions upon which the research is based and the implications of these for the methods adopted (Saunders, Lewis, & Thornhill, 2009). The researcher adopted the concept of the Research Onion (Saunders, Lewis, & Thornhill, 2009) to describe the steps adopted in conducting this study and understanding the research process used.

Figure 3.1: Research Onion. Source: Adapted from Saunders, Lewis, & Thornhill (2009). Research Methods for Business Students.
The research onion is comprised of six main layers; research philosophy, research approaches, strategy, choices, time horizon, and techniques and data collection. Figure 3.1, depicts each layer and the theories relating to it will be discussed further.

3.3 RESEARCH DESIGN

Greener (2008) defines a research design as a grand plan of approach to a research topic. According to Saunders et al. (2009) the research design is a comprehensive master plan of the research study to be undertaken, giving a general statement of the methods to be used. It ensures that essential data in accordance with the problem at hand is collected accurately and economically, reflects the purpose of the study, and guides the collection and analysis of data. The research design guides the researcher through the research process and enables the achievement of the research objectives (Wilson, 2010). This research adopted the following concepts in the research design; an epistemological paradigm, a realism philosophy, deductive approach, case study strategy, mono method, longitudinal time horizon, and primary data collection technique through a questionnaire.

3.4 RESEARCH PHILOSOPHY

According to Kuhn (as cited in Bryman & Bell, 2007), a research paradigm is a cluster of beliefs, which guide researchers’ decisions on what should be studied and how the results should be interpreted. These paradigms are held to be inconsistent with each other, meaning that only one paradigm can be held (Greener, 2008). Epistemology assumes a scientific approach to the development of knowledge, views and reality as independent of the mind. This underlying assumption determined the collection and understanding of the data in this study. According to Easterby-Smith et al. (as cited in Wilson, 2010) a research philosophy clarifies the research design by considering the type of data to be collected and analysed. According to Saunders et al. (2009), research philosophy relates to the development of knowledge and the nature of that knowledge. The research philosophy adopted by a researcher contains important assumptions about the way the researcher views the world, and these
assumptions support the research strategy and methods chosen. Saunders et al. (2009) identify four philosophies for business research as depicted in the research onion; positivism, realism, interpretivism, and pragmatism. Realism is a branch of epistemology and has two aspects; direct realism and critical realism. Direct realism relates to the capacity of research to change the world which it studies and suggests that the world is relatively unchanging. Whereas critical realism recognises the importance of multi-level study and that these levels have the capacity to change the researcher’s understanding of what is being studied (Saunders, Lewis, & Thornhill, 2009). Critical realism was adopted in this research due to the reality that the world constantly changes and this view is in line with business and business research.

3.5 RESEARCH APPROACH
Saunders et al. (2009) identify two research approaches in business research; deductive and inductive. A deductive approach looks at theory, produces hypotheses from that theory, which relates to the focus of the research and proceeds to test that theory. Inductive approach looks at the focus of the research and through investigation by various research methods, aims to generate theory from the research (Greener, 2008). This study adopted a deductive approach as it tested theory, sought to explain the causal relationships between variables, and relied on statistical analyses of the variables identified in the research.

3.6 RESEARCH STRATEGY
Robson (as cited in Saunders et al., 2009) defines a case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of data. Wilson (2010), states that a case study research may be conducted using single case or multiple cases, therefore a case study research may be broad or narrow in scope. According to Saunders et al. (2009) single case is often used when it is a critical or unique case, or presents an opportunity to observe and analyse a phenomenon not considered before. However, Yin (as cited in Saunders et al. (2009) argues that although a case study allows for the thorough
examination of a particular situation, the results of such a study cannot be
generalized beyond the single case. This research was executed using single
case study method for the following reasons: (i) the research sought to study a
unique phenomenon (two retail models operating within the same company); (ii)
the research was explanatory as it sought to establish causal relationships
between variables (economic performance, strategy, legislation change, growth,
business models and profitability); (iii) the research evaluated the overall impact
of acquisition strategy on competitive advantage, (iv) the research sought to
understand the context of the research area and the processes concerned.

3.6.1 Unit of Analysis
It is important for the researcher to be clear on what is intended to be analysed
as it sets boundaries in the research. Case studies may be analysed using a
single unit of analysis (holistic) or multiple units of analysis (embedded). Holistic
analysis examines the case as one unit and includes analysis of the organisation,
business function or strategic implementation (Wilson, 2010). This research used
a holistic analysis as it examined one organisation, OK Zimbabwe; the unit of
analysis in this research was acquisition strategy and its impact on competitive
advantage.

3.6.2 Research Choices
According to Saunders et al. (2009) research choice refers to the way in which
the researcher chooses to combine quantitative and qualitative techniques and
procedures. Quantitative refers to any data collection technique or data analysis
procedure that generates or uses numerical data. This entails a deductive
approach, incorporates practices of scientific models and is objective in reality
(Bryman & Bell, 2007). This research used the mono method, a single data
collection technique through questionnaires and a corresponding analysis
procedure through statistics. The mono method was sufficient as the sample was
literate and familiar with the area of research.
3.6.3 Time Horizon
The time horizon for a research is either cross sectional or longitudinal. A longitudinal study is a representation of events over a given period. Longitudinal studies have the capacity to study change and development (Saunders, Lewis, & Thornhill, 2009). This study is a longitudinal study as it considers the organisational performance of OK Zimbabwe over a period of five years. The period is 2009 to 2013 and reflects the organisation before and after the strategy execution.

3.7 POPULATION AND SAMPLING TECHNIQUES
The population for the research was comprised of OK Zimbabwe head office employees, managers and the OKmart Harare branches. For this research, it was not feasible to conduct the research on the entire population due to limited resources and time constraints, therefore sampling was used. The sample comprised of employees and managers at OKmart Harare branch and OK Zimbabwe head office. According to Saunders et al. (2009) there are two types of sampling techniques, probability sampling techniques probability and non-probability sampling. This research used probability-sampling technique.

3.7.1 Sample Size
Green (1991) suggested that the rule of thumb for medium effect size studies with a small number of predictors ($m<7$) should be $50+8m$; where $m$ is the number of variables. The research identified 6 variables; therefore the sample size was 98.

3.7.2 Stratified Random Sampling
This is a modification of random sampling which divides the population into more relevant and significant strata based on one or more attributes. The sampling frame is divided into a number of subsets and then a random sample (random or systematic) is drawn from each strata (Saunders et al., 2009). Stratified sampling was used in the distribution of questionnaires to managers and employees according to their departments, representing both acquirer and target firm and
according employment level and their employment presence during the implementation of the strategy.

3.8 DATA COLLECTION METHODS
Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research question and evaluate outcomes (Finnerty 2007). The data in this research was collected through primary sources.

3.8.1 Research Instrument
According to deVaus (2002 as cited in Saunders et al., 2009) a questionnaire is a data collection technique where individuals are asked to respond to the same set of questions in a pre determined order. The research instrument used to collect primary data in this study was a structured questionnaire. This was distributed to the organisation’s management and employees. The questionnaire was used to access the variables and their impact on profitability as a measure of competitive advantage.

3.8.2 Variables
The study had three independent variable identified as the economic performance, legislation change and the strategy. Three dependent variables were measured; business model, growth and profitability. The control variable used was the employees experience in the organisation.

3.8.3 Research Assumptions
The study considered only three supermarket retailers; OK Zimbabwe; TM supermarkets and Spar. This determined the supermarket retail industry concerning market share.
3.8.4  Pilot Test

The purpose of a pilot test is to refine the questionnaire so that respondents have no challenges in answering the questions and there are no problems in recording the data. According to Fink (as cited in Saunders et al., 2009) the minimum number for a pilot is ten. The questionnaire was pilot tested to ten respondents and adjustments were made to the set of questions.

3.8.5  Questionnaire Administration

In order get an acceptable response rate, the questionnaire was delivered and collected to respondents. This was considered as a better distribution method as opposed to emailing as respondents have a habit of ignoring emails, which also delays the response time. The questionnaires were collected after one week of delivery. Follow ups were made on questionnaires which were not available after the one week.

3.9  RESEARCH LIMITATION

The study focused only on a selected industry (supermarket retail) and company (OK Zimbabwe) in Zimbabwe for the evaluation of growth strategies on profitability. This may not be sufficient for the purposes of generalisation as indicated by Yin (2003 as cited in Saunders et al., 2009).

(i) Due to inadequacy of time and resources, the questionnaires were administered in the OKmart Harare branch and the OK head office. The Head office personnel were sufficient to assess the group performance as all strategies, operational mandates and evaluations of stores are conducted centrally at Head office.

(ii) The period considered was five years, 2009 to 2013. The study analysed organisational performance two years prior and two years after the acquisition strategy and introduction of the wholesale-retail business model, which may not provide a comprehensive indication of improvements in performance and competitiveness as indicated by (Mahesh & Prasad, 2012).
3.10 DATA ANALYSIS
The data collected was analysed using statistical tools and techniques. The data was analysed by using SPSS. Reliability tests were conducted using the CronbachAlpha, to measure the consistency of sub questions in relation to the main questions. Frequency analysis was conducted on the sample in terms of employment level and years of employment. Descriptive tests of mean were applied on factors which contributed to profitability. Correlation tests using Spearman’s coefficient were conducted to establish the relationships between the variables. Regression tests were utilised to predict which variables were the strongest predictor of the profitability.

3.11 VALIDITY AND RELIABILITY
According to Carmines and Zeller (as cited in Wilson, 2010), reliability concerns the extent to which a measurement of a phenomenon provides stable and consistent results, and whether the results of the study are repeatable. Validity is concerned with the integrity of the conclusions generated from a research (Bryman & Bell, 2007). To ensure that the data used in this research was reliable; data was evaluated by Cronbach alpha coefficients. In the scale reliability, Cronbach alpha coefficients of 0.60 are deemed appropriate for further analysis because they express an accepted validity and reliability (Yee, San, & Khoon, 2011).

3.12 ETHICS AND VALUE
There is need for ethical responsibility of the researcher to the people who participated in the research. Trevino and Nelson (as cited in Wilson, 2010), define ethics as the principles, norms and standards of conduct governing an individual or group. Ethical issues are concerned with the researcher’s moral responsibility to carry out the research in an accurate and honest manner, which includes respecting the wishes of participants. Rowley (as cited in Wilson, 2010), suggests that conducting research ethically is concerned with respect, privacy, confidentiality, and transparency about the research data. Ethical practices are centred on respect, trust and approaches that build relationships rather than demolish them. To ensure that no disrepute between the UZ, organization under
study and respondents the research was conducted in line with the following ethical guidelines:

(i) The purpose of the research was explained to all respondents to avoid intimidation.

(ii) Participation was voluntary and confidential.

(iii) The information gathered was considered for academic use only.

(iv) The research did not contain any offensive or confidential information.

(v) Confidentiality of data was maintained to ensure respondents’ anonymity

(vi) Names of individuals were not disclosed in the research.

3.13 CHAPTER SUMMARY
This chapter highlighted the methodology framework used as predominantly quantitative, with a deductive research approach and a case study research strategy. A self-administered questionnaire was the instrument used to collect primary data, and this was distributed to managers and employees. The data was analysed using five statistical tests to ensure validity and reliability. Ethical practices were incorporated to ensure respect, privacy, confidentiality, and transparency of the research process and research data.
CHAPTER FOUR

4.0. INTRODUCTION
This chapter presents the results of the research. Primary data collected through the questionnaire was analysed to present the findings which are presented in tables and graphs.

4.1. RESPONSE RATE
Response rate equates to the total number of responses divided by the total number in sample less ineligible. 98 questionnaires were sent out and 66 responded with all of the responses being eligible. Richardson (as cited in Nulty, 2008) indicates that response rates of 60% were desirable. The response rate was acceptable at 67% and was sufficient due to the researcher being employed in the organisation and having access to the sample.

4.2. RELIABILITY TESTS
To establish the reliability of the data, Cronbach Alpha test was conducted using SPSS. Malhotra (as cited in Yee et al., 2011) states that the Cronbach Alpha coefficient varies from zero to one. Alpha coefficient values of 0.6 and above are acceptable, values of 0.6 to 0.8 indicate moderately strong reliability while values of 0.8 to 1 indicate strong reliability (Yee et al., 2011). The questionnaire measures economic factors in terms of economic performance, liquidity challenges and forex exchange rates. Legislation changes focused on the indigenisation and fiscalisation policies. Strategy was assessed in terms of motives and success indicators. The business model was rated in terms of product, price and promotions. Profitability was assessed in terms of industry average while growth was measured in terms of sales and markets share. From the reliability test shown in Table 4.1, four items were used to measure economic factors and the alpha coefficient was 0.65, two items were used to measure legislation change and the alpha coefficient was 0.75, six items were used to measure the strategy and the alpha coefficient was 0.74, eight items were used to measure the business model and the alpha coefficient was 0.81, seven items
were used to measure profitability and the coefficient was 0.78, five items were used to measure growth and the coefficient was 0.83, two items were used as the control variables and the coefficient was 0.63. The reliability coefficients for all variables were moderately strong to very strong as all the alpha coefficients were more than 0.6. The overall reliability for all variables was very strong with a coefficient of 0.90. Four items were deleted, two from legislation change and two from the control variable. Thirty four of the thirty eight items used to measure the variables were stable and consistent. Therefore the relationships among these items were reliable for further analysis.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach Alpha</th>
<th>Number of items</th>
<th>Items deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic factors</td>
<td>0.65</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Legislation change</td>
<td>0.75</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Strategy</td>
<td>0.74</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Business Model</td>
<td>0.81</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td>0.78</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>0.83</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Control Variable</td>
<td>0.63</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>0.90</td>
<td>34</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 4.1: Cronbach Alpha Summary

4.3. FREQUENCY ANALYSIS

Frequency analysis was conducted on the sample to understand the composition of the sample in terms of employment level, years of experience with OK Zimbabwe and engaged during implementation of strategy.

4.3.1 Employment Level

Figure 4.1 indicates the responses by employment level in the organisation. 54% of the respondents represented executives and management, which adequately represented the managerial views for the purpose of the management’s
assessments, while 46% of the respondents were employees which adequately represented the employee assessments.

**Figure 4.1: Responses by Employment Level**

4.3.2 Years of Experience with the Organisation

Figure 4.2 indicates the respondent’s years of experience with the organisation. 67% of the respondents had been employed for six years and above. This was an indication of the respondents’ knowledge of the retail industry, knowledge of the organisational operations, capacity to assess the performance of the organisation over the period under study, and their ability to adequately provide relevant assessments.
4.3.3 Engaged During Implementation of Strategy

Figure 4.3 indicates the respondents’ engagement during the growth strategy execution. 70% of the respondents were employed in the organisation at the time when the organisation implemented the growth strategy. This was an indication of the respondents’ knowledge of the strategy being referenced. OK Zimbabwe’s culture in strategy is to involve and engage all managers and staff in the desired deliverable of strategies executed as each business unit is held accountable for various performance indicators which result in increased profitability.
Figure 4.3: Responses based on Engaged during Implementation of Strategy

4.4. DESCRIPTIVE ANALYSIS

Descriptive analysis was used to establish the respondents’ views on the impact of variables. The mean of the likert scale responses was used to rate the variables from very significant to very insignificant as shown in Table 4.2 below.

<table>
<thead>
<tr>
<th>Likert Scale Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>Very Significant</td>
</tr>
</tbody>
</table>

Table 4.2: Likert Scale Responses

4.4.1 Economic Factors

Table 4.3 shows the respondents’ assessments on the impact of economic factors. According to respondents the impact of economic factors on the sales growth of group was significant with a mean of 1.88, economic factors
significantly influenced the business model choice (wholesale- retail) with a mean of 2, and liquidity challenges had a relatively significant impact on the group’s profitability with a mean of 2.33. The overall findings on the impact of economic factors on growth, business model and profitability were significant.

<table>
<thead>
<tr>
<th>Impact of economic factors on the sales growth of the Group</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>66</td>
<td>1.00</td>
<td>4.00</td>
<td>1.88</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extent to which economic factors influenced the business model decision (wholesale- retail)</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>66</td>
<td>1.00</td>
<td>4.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact of liquidity challenges on the Group’s profitability</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>2.33</td>
</tr>
</tbody>
</table>

Table 4.3: Responses to Economic Factors

4.4.2 Legislation Change
Table 4.4 indicates the respondents’ assessments on the impact of legislation change on service delivery and profitability. According to respondents the fiscalisation policy had a relatively significant negative impact on service delivery with a mean of 2.6, while the impact of the fiscalisation on profitability was uncertain with a mean of 3.

<table>
<thead>
<tr>
<th>Extent to which fiscalisation policy negatively impacted:</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service delivery</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>2.56</td>
</tr>
<tr>
<td>Profitability</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>3.02</td>
</tr>
</tbody>
</table>

Table 4.4: Responses to Legislation Change
4.4.3 Strategy

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic motive for wholesale-retail model:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerated growth</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>1.67</td>
</tr>
<tr>
<td>Diversification into another line of business</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>2.11</td>
</tr>
<tr>
<td>Increased customer base</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>1.70</td>
</tr>
<tr>
<td><strong>Extent to which wholesale retail model meets strategic goals</strong></td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>2.23</td>
</tr>
<tr>
<td><strong>Performance measures which define strategy success:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td>66</td>
<td>1.00</td>
<td>4.00</td>
<td>1.64</td>
</tr>
<tr>
<td>Sales growth</td>
<td>66</td>
<td>1.00</td>
<td>4.00</td>
<td>1.74</td>
</tr>
<tr>
<td>Shareholder Return</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>

Table 4.5: Responses to Strategy

Table 4.5 shows the respondents’ assessments on the strategy. According to respondents, the strategic motives for the wholesale-retail model of accelerated growth with a mean of 1.67 and increased customer base with a mean of 1.70 were more significant than the strategic motive for diversification which had a mean of 2.11 (although it was significant). The wholesale-retail model significantly met strategic goals with a mean of 2.23. Profitability as considered as the most significant indicator of strategy success with a mean of 1.63. Sales growth and shareholder return were also considered as significant strategy success indicators with lower means of 1.74 and 2.00 respectively.

4.4.4 Business Model

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
</table>

52
Table 4.6: Responses on Business Model

Table 4.6 shows the respondents’ assessments of the business model. Respondents were uncertain concerning the extent to which the wholesale retail model reduced the growth of the existing retail model as it had a mean of 2.85. However, respondents indicated that the wholesale-retail model significantly differed from the retail model in terms of product offering with a mean of 1.68 and price with a mean of 1.74. The target market was also significantly different with a mean of 1.89. The wider product range and product quality significantly increased profitability with lower means of 1.60 and 1.74 respectively; indicating greater significance than affordable prices, better promotions and improved service which had means of 2.05, 2.32 and 2.45 respectively.

4.4.5 Profitability

Table 4.7 shows the respondents’ assessments on the profitability of the Group. According to respondents, the wholesale-retail model contributed significantly to the Group’s profitability with a mean of 1.67, and as a result the Group’s
profitability improved significantly with a mean of 1.72. The group’s profitability relative to the industry average was considered to have significantly increased with a mean of 2.06.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which the Group’s profitability improved</td>
<td>66</td>
<td>1.00</td>
<td>3.00</td>
<td>1.72</td>
</tr>
<tr>
<td>Increase in firm’s profitability relative to industry average</td>
<td>66</td>
<td>1.00</td>
<td>4.00</td>
<td>2.06</td>
</tr>
<tr>
<td>Wholesale–retail model’s contribution to Group profitability</td>
<td>66</td>
<td>1.00</td>
<td>4.00</td>
<td>1.67</td>
</tr>
</tbody>
</table>

Table 4.7: Responses on Profitability

4.4.6 Growth
Table 4.8 shows the respondents’ assessments on growth. According to respondents, the increase in the group sales, customers and market share were significant with means of 1.56, 1.79 and 1.92 respectively. The increase in market share was significant after the introduction of the wholesale-retail model with a mean of 1.83, while the group’s growth was significantly attributed to the wholesale-retail model with a mean of 2.03.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in market share after the introduction of the wholesale-retail model</td>
<td>66</td>
<td>1.00</td>
<td>3.00</td>
<td>1.83</td>
</tr>
<tr>
<td>Increase in the Group’s sales</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>1.56</td>
</tr>
<tr>
<td>Increase in the Group’s customers</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>1.79</td>
</tr>
<tr>
<td>Increase in the Group’s market share</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>1.92</td>
</tr>
<tr>
<td>Extent to which growth is attributed to the wholesale-retail model</td>
<td>66</td>
<td>1.00</td>
<td>5.00</td>
<td>2.03</td>
</tr>
</tbody>
</table>

Table 4.8: Responses on Growth
4.5. CROSS TABULATIONS

Cross tabulations between the management level and variables were conducted to assess the views pertaining to particular questions.

4.5.1 Profitability Relative to Industry Average

Figure 4.4 shows the respondents’ assessments regarding the Group’s profitability relative to the industry average. 45% of management indicated that profitability had significantly increased, while 32% of employees concurred with the management’s assessment. 11% of management was unsure, 12% of employees were also unsure with 2% of employees indicating insignificant profitability. Overall, 78% of the respondents indicated that the Group’s profitability relative to industry average significantly increased between 2009 and 2013.

Figure 4.4: Profitability Relative to Industry Average
4.5.2 Profitability Due to Wider Product Range

Figure 4.5 shows the respondents’ assessments regarding the increase in profitability due to wider product range. 98% of management and employees indicated that profitability had significantly increased due to the wider product range. Only 2% of employees indicated uncertainty. The overall assessment from both management and employees is that the wider product range significantly increased profitability.

![Profitability Attributed to Wider Product Range](image)

Figure 4.5: Profitability Attributed to Wider Product Range

4.5.3 Profitability as an Indication of the Strategy Success

Figure 4.6 shows the respondents’ assessments of the success indicators of the strategy which adequately reflect the strategy objectives. Profitability was regarded as a key indication of strategy success. 62% of employees engaged
during the strategy implementation indicated profitability as a significant indication of strategy success, while 23% of employees not employed during the implementation also concurred with those who were not engaged during the execution.

![Profitability as an Indication of Strategy Success](image)

**Figure 4.6 : Profitability as a Strategy Success Indicator**

### 4.5.4 Wholesale-Retail Model and Strategic Goals

Figure 4.7 shows the respondents’ assessment regarding the extent to which the wholesale-retail model met strategic goals. 16% were executive and they all agreed that the wholesale retail model significantly meets strategic goals, 27% of management and 29% employees concurred with the executive’s assessments. Only 27% of the respondents were either unsure or rated the wholesale-retail contribution as not meeting strategic goals. The overall assessment was that the wholesale-retail model significantly met the Group’s strategic goals.
4.6. NORMALITY TEST

The Kolmogorov-Smirnov and Shapiro–Wilk are standard tests of normality in SPSS, the Shapiro Wilk test is recommended for small to medium samples less than 50, while the Kolmogorov-Smirnov test is recommended for larger samples (Garson, 2012). The data was statistically tested using Kolmogorov-Smirnov and Shapiro–Wilk test, however the Kolmogorov-Smirnov test was considered as the sample had 66 responses. The statistic under both tests indicate that the data has p values less than 0.05 which was an indication that the data was not normally distributed, and therefore the results cannot be applied to the population and yield the same results as in the sample. Data was not normally distributed therefore non parametric tests were conducted for further testing.

Figure 4.7: Business Model and Strategic Objective Achievement
Tests of Normality

<table>
<thead>
<tr>
<th>Variable</th>
<th>Kolmogorov-Smirnov(^a) Statistic</th>
<th>df</th>
<th>Sig.</th>
<th>Shapiro-Wilk Statistic</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic factors</td>
<td>.115</td>
<td>66</td>
<td>.031</td>
<td>.971</td>
<td>66</td>
<td>.124</td>
</tr>
<tr>
<td>Legislation change</td>
<td>.122</td>
<td>66</td>
<td>.016</td>
<td>.970</td>
<td>66</td>
<td>.104</td>
</tr>
<tr>
<td>Profitability</td>
<td>.117</td>
<td>66</td>
<td>.026</td>
<td>.947</td>
<td>66</td>
<td>.007</td>
</tr>
<tr>
<td>Growth</td>
<td>.167</td>
<td>66</td>
<td>.000</td>
<td>.878</td>
<td>66</td>
<td>.000</td>
</tr>
<tr>
<td>Strategy</td>
<td>.135</td>
<td>66</td>
<td>.004</td>
<td>.905</td>
<td>66</td>
<td>.000</td>
</tr>
<tr>
<td>Business Model</td>
<td>.097</td>
<td>66</td>
<td>.200</td>
<td>.945</td>
<td>66</td>
<td>.005</td>
</tr>
</tbody>
</table>

\(^a\) Lilliefors Significance Correction

*. This is a lower bound of the true significance.

Table 4.9: Normality Tests of Variables

4.7. CORRELATION TEST

Correlation quantifies the strength of the linear relationship and the direction of the relationship between variables (Tyrell, 2009). DeCoster (2004) states that correlations range between +1 and -1 and the sign of the correlation describes the direction of the relationship. A positive sign indicates that as one variable increases so does the other, while a negative sign indicates that as one variable increases the other decreases (DeCoster, 2004). Values close to +1 or -1 indicate a strong relationship, values close to zero indicate a very weak relationship, while a zero value indicates no relationship at all (Tyrell, 2009). Saunders et al. (2009) indicate that values between 0 – 0.299 indicate a weak relationship, 0.3 – 0.499 indicate a moderately strong relationship, 0.5 – 1 indicate a strong relationship. Significance testing involves testing relationships between variables occurring by chance alone Berman Brown & Saunders (as cited in Saunders et al., 2009). If the probability of the test statistic is very low (p<0.05) then there is a statistically significant relationship, if the probability of obtaining the test statistic is higher than 0.05 then the relationship is not statistically significant (Saunders et al., 2009). The Spearman’s rank correlation coefficient was used to measure the
strength of the relationships as the variables were not normally distributed and
the significance value was used to determine the significance of the relationship
between the two variables. Table 4.10 is a summary of correlations between
variables. Economic performance and growth had a weak positive relationship
with an rho of 0.159 and this was not significant as the sig value was 0.175.
Strategy and growth had a moderately strong positive relationship with an rho of
0.481 and this was statistically significant with a sig value of 0.000. Strategy and
business model had a moderately strong positive relationship with an rho of
0.440 and this was statistically significant with a sig value of 0.000. Legislation
change and business model had a weak positive relationship with an rho of 0.043
and this was statistically insignificant with a sig value of 0.730. Growth and
profitability had a strong positive relationship and were statistically significant with
a sig value of 0.00. Business model and profitability had a moderately strong
positive relationship and was statistically significant with a sig value of 0.000. In
summary the four sets of correlations which were statistically significant had
moderately strong to strong positive relationships; strategy and growth, strategy
and business model, growth and profitability, and business model and
profitability.
### Spearman’s Rank Correlation

<table>
<thead>
<tr>
<th></th>
<th>Spearman’s rho</th>
<th>Economic factors</th>
<th>Legislation Change</th>
<th>Strategy</th>
<th>Profitability</th>
<th>Channel</th>
<th>Growth</th>
<th>Control Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic factors</td>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>1.000</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Legislation Change</td>
<td>Correlation Coefficient</td>
<td>.192</td>
<td>1.000</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.123</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>Correlation Coefficient</td>
<td>.477**</td>
<td>.054</td>
<td>1.000</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Strategy</td>
<td>Correlation Coefficient</td>
<td>.000</td>
<td>.666</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.314*</td>
<td>.141</td>
<td>.601**</td>
<td>1.000</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Profitability</td>
<td>Correlation Coefficient</td>
<td>.010</td>
<td>.257</td>
<td>.000</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.245*</td>
<td>.043</td>
<td>.440**</td>
<td>.452**</td>
<td>1.000</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Business Model</td>
<td>Correlation Coefficient</td>
<td>.047</td>
<td>.730</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.175</td>
<td>.145</td>
<td>.481**</td>
<td>.659**</td>
<td>.372**</td>
<td>1.000</td>
<td>.</td>
</tr>
<tr>
<td>Growth</td>
<td>Correlation Coefficient</td>
<td>.159</td>
<td>.246</td>
<td>.000</td>
<td>.000</td>
<td>.002</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Control Variable</td>
<td>Correlation Coefficient</td>
<td>.192</td>
<td>-.237</td>
<td>-.008</td>
<td>-.028</td>
<td>.080</td>
<td>.014</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.123</td>
<td>.055</td>
<td>.950</td>
<td>.822</td>
<td>.524</td>
<td>.914</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
</tbody>
</table>

*Correlation significant at 0.05 level. **Correlation significant at 0.01 level (2-tailed).

Table 4.10: Correlation Tests
4.8. REGRESSION TEST

The study used multiple regression analysis to calculate the multiple regression coefficient and regression equation between the multiple independent variables. The correlation coefficient (R) measures the strength of the linear relationship (Tyrell, 2009). The coefficient of determination, \( R^2 \) indicates the proportion of the change in the dependent variable that is explained by the multiple regression equation. It measures how good a predictor the regression equation is likely to be. An equation that is a perfect predictor has a coefficient of determination of 1. According to Saunders et al. (2009) an equation which predicts only 50% of the variation has a coefficient of determination of 0.5, and an equation that predicts none of the variation has a coefficient of 0. The adjusted \( R^2 \) statistic helps to avoid overestimating the impact of adding an independent variable on the amount of variability explained by the estimated regression equation. Saunders et al. (2009), further explain that a very low significance value less than 0.05 means the coefficient is unlikely to have occurred by chance alone. A value greater than 0.05 means the coefficient of multiple determinations could have occurred randomly. Sig values greater than 0.05 are an indication that the coefficient is not significant (Tyrell, 2009). The t-test was used to find out the probability of the relationship between each of the individual independent variables and the dependent variable. The F-test was used to find out the overall probability of the relationship between the dependent variable and all the independent variables occurring by chance. Saunders et al. (2009) state that collinearity refers to the absence of correlation between two or more independent variables, and makes it difficult to determine the separate effects of individual variables. The tolerance value and its inverse, the variance inflation factor (VIF) were used to determine collinearity. Hair et al. (as cited in Saunders et al., 2009) recommends that a very small tolerance value (0.10 or below) or a large VIF value (10 or above) indicates high collinearity.

4.8.1 Predictors of Growth

Regression tests were conducted to determine the predictors of growth. The Table 4.11 shows that the model explains 44.1% of the variances in growth.
The independent variables (strategy, legislation change and economic factors) accounted for a significant variance in the growth variable as shown in Table 4.12. The model had an F (12.05), which was statistically significant. Therefore the model is better placed at predicting the outcome than to guess the results.

### Table 4.11: Model Summary of Growth

The regression tests in Table 4.13 showed a weak positive relationship between economic performance and growth. The result was not statistically significant, therefore hypothesis H1 was rejected. There was a strong positive relationship between strategy and growth and this result was statistically significant.
significant therefore hypothesis H2 was accepted. There was no collinearity between the variables.

From model 1, the formula below predicts growth:
\[
\text{Growth} = fc + \beta_1 \text{strategy}, \text{ therefore, } \text{Growth} = 1.654fc + 0.625.
\]

### 4.8.2 Predictors of Business Model

The Table 4.14 shows that the model explains 39.2% of the variances in the business model.

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 2</td>
</tr>
<tr>
<td>Model Summary</td>
</tr>
<tr>
<td>Model 2</td>
</tr>
<tr>
<td>R</td>
</tr>
<tr>
<td>R Square</td>
</tr>
<tr>
<td>Adjusted R Square</td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
</tr>
<tr>
<td>.626a</td>
</tr>
<tr>
<td>.392</td>
</tr>
<tr>
<td>.352</td>
</tr>
<tr>
<td>4.11792</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), ControlVariable, Strategy, Legislation change, Economic Factors

Table 4.14: Model Summary of Business Model
The independent variables (strategy, legislation change and economic factors) account for a significant variance in the business model as shown in Table 4.15. The model had an F (9.83), which was statistically significant. Therefore the model is better placed to predicting the outcome than to guess the results.

<table>
<thead>
<tr>
<th>Model 2</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>665.605</td>
<td>4</td>
<td>166.401</td>
<td>9.813</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>1034.395</td>
<td>61</td>
<td>16.957</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1700.000</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Control Variable, Strategy, Legislation change, Economic factors
b. Dependent Variable: Business Model

Table 4.15 : Annova Tests for Business Model

H3 states: *Acquisition strategy has a positive impact on the business model.*

H4 states: *Adverse legislation changes negatively impact the business model.*

The regression in Table 4.16 showed a weak positive relationship between legislation change and business model and this was statistically significant, therefore the hypothesis was accepted. There was a strong positive relationship between strategy and business model and this was statistically significant therefore the hypothesis was accepted. There was no collinearity between the variables.

From model 2, formula below predicts business model:

Business model = \( fc + \beta_1 \text{legislation change} + \beta_2 \text{strategy} \), therefore,

\[
\text{Growth} = 1.884fc + 0.869 \text{legislation} + 0.898 \text{strategy}
\]
Table 4.16: Regression Tests for Business Model

4.8.3 Predictors of Profitability
Table 4.17 shows that the model explains 56.5% of the variances in profitability.

Table 4.17: Model Summary for Profitability

The independent variables (business model and growth) accounted for a significant variance in profitability with an F (26.88) as shown in Table 4.18, which was statistically significant. Therefore the model is better placed to predicting the outcome than to guess the results.
**ANOVA**

<table>
<thead>
<tr>
<th>Model 3</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>614.468</td>
<td>3</td>
<td>204.823</td>
<td>26.882</td>
<td>.000&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>472.395</td>
<td>62</td>
<td>7.619</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1086.864</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup>. Predictors: (Constant), control variable, business model, Growth

b. Dependent Variable: Profitability

**Table 4.18: Anova Tests for Profitability**

H5 states: *There is a positive relationship between growth and profitability*

H6 states: *There is a positive relationship between the revised business model and profitability*

Table 4.19 shows that there was a moderately strong positive relationship between growth and profitability and this was statistically significant therefore the hypothesis was accepted. There was a weak positive relationship between business model and profitability and was statistically significant therefore the hypothesis was accepted. There was no collinearity between the variables.

From model 3, the formula below predicts business model:

Profitability =fc + β₁ growth +business model, therefore,

Growth = 6.278fc + .000 growth + .003 business model

---

**Coefficients**

<table>
<thead>
<tr>
<th>Model 3</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Collinearity Statistics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tolerance</td>
<td>VIF</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4.19: Regression Tests for Profitability

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>.780</td>
<td>.147</td>
<td>.533</td>
<td>5.320</td>
<td>.000</td>
<td>.699</td>
<td>1.432</td>
</tr>
<tr>
<td>Business Model</td>
<td>.247</td>
<td>.080</td>
<td>.310</td>
<td>3.101</td>
<td>.003</td>
<td>.704</td>
<td>1.421</td>
</tr>
<tr>
<td>Control Variable</td>
<td>-.346</td>
<td>.199</td>
<td>-.146</td>
<td>-1.740</td>
<td>.087</td>
<td>.991</td>
<td>1.009</td>
</tr>
</tbody>
</table>

4.8.4 Model Framework
From the regression tests profitability can be predicted by the three models:
Model 1: Growth = fc + β₁ strategy
Model 2: Business model =fc + β₁ legislation change +β₂ strategy
Model 3: Profitability =fc + β₁ growth +business model

4.9 DISCUSSION OF RESULTS
The study investigated the impact of acquisition strategy on the competitive advantage of OK Zimbabwe. The study was based on profitability as a relevant indication of competitive advantage (Hill & Jones, 2010). This section will discuss the findings with respect to literature.

4.9.1 Impact of Macroeconomics on Growth
According to respondents the impact of economic factors on the sales growth of the Group and their influence on the business model was significant. However the correlation tests and regression tests indicated a weak positive relationship between economic performance and growth, and rejected hypothesis H1 as it was proven to be statistically insignificant. This is contradictory to the traditional economic theory of growth. The bulk of literature state that strong and sustained economic growth, rising stock prices and relatively low interest rates facilitate acquisition transactions as organisations respond to economic change. However,
(Weston & Weaver, 2001) point out that food retailing is hampered by slow growth because food consumption only grows at the rate of population growth.

Richardson (2013), made a significant contribution in his analysis report of Zimbabwe, which adequately explain the variation of this finding. He comments that the country's improved performance coincides with the adoption of the multi currency but that this does not fully explain the country’s rapid growth. Dollarisation was accompanied by three significant economic developments which do not foster long term growth (Richardson, 2013). This is because 60% of GDP growth was due to increased government expenditure, 9% of GDP growth was due to increased foreign aid, and the production and export of raw mineral commodities increased prices on the international market. Zimbabwe is characterised by challenges of inadequate food supply with the bulk of items being imported, high unemployment rates, underperforming manufacturing sector and weak property rights protection. In their report, Imara securities also noted that a lack of improvement in the liquidity of the country cripples any growth prospects as sectors remain undercapitalised and funding is available at expensive rates (Zunga, 2012).

4.9.2 Impact of Strategy on Growth
There was a strong positive relationship between strategy and growth and this was statistically significant therefore hypothesis H2 was accepted. This was evident as the sales, customers and market share of the origination increased. This finding is supported by Dringoli, (2012) as he states that these are an indication of growth. Gugler et al. (as cited in Mujumdar, Moussawi, & Yaylacicegi, 2013) assessed the impact of acquisitions on profitability and sales, and found that on average sales and profits increased.

4.9.3 Impact of Strategy on Business Model
There was a strong positive relationship between strategy and business model and this was statistically significant therefore the hypothesis H3 was accepted. This was attributed to the business model having contributed to the strategic goal of growth. Respondents considered profitability, sales growth and shareholder
value as strong indications of the strategy success. Strategies provide focus and
direct organisational activities (Ehlers & Lazenby, 2004) and such growth is the
result of managerial decisions directed at modifying the size of the firm in an
effort to meet the objectives (Dringoli, 2012). As supported by the two authors,
modifications were made to the business model to incorporate the wholesale and
retail formats. The new offering significantly differed from the existing offering in
terms of price, product range and customers.

4.9.4 Impact of Legislation on Business Model
The regression showed a weak positive relationship between legislation change
and business model and this was statistically significant, therefore the hypothesis
H4 was accepted. Respondents highlighted that the fiscalisation policy had a
significantly negative impact on service delivery.

4.9.5 Impact of Business model and Growth on Profitability
There was a moderately strong positive relationship between growth and
profitability and this was statistically significant therefore the hypothesis H5 was
accepted. There was a weak positive relationship between business model and
profitability and was statistically significant therefore the hypothesis was
accepted. Respondents’ assessments indicated the increase in profitability due to
wider product range. This is supported by (Jones & Miskell, 2007) who cited that
complementary acquisitions create value for shareholders, while (Mishra &
Chandra, 2010) concurred that larger profitability was realized through product
differentiation and the easy movement of products and better customer reach in
researches they reviewed.

4.9.6 Overall Impact of Strategy on Profitability
From the overall analysis, it is found that acquisitions increase profitability and this
was also supported by (Akinbuli & Kelilume, 2013). Acquisitions are strategic tools
which lead to the maximization of a company’s growth by enhancing its
operations. Therefore acquisitions result in operating efficiency, accelerated
growth and enhanced profitability (Saxena & Rawat, 2007). Growth through acquisitions allows for accelerated growth, faster responses to the market trends and reduces the number of competitors operating in the industry (Santos, Ferreira, Reis, & Serra, 2011)

4.10 CHAPTER SUMMARY
This chapter presented the research findings and commented on the findings. The next chapter will present the conclusions and recommendations.
CHAPTER FIVE

5.0. CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION
This chapter discusses the conclusions and makes recommendations. Four specific conclusions discussed include the key findings based on the hypothesis testing, the research questions and discussion of the objectives. Two managerial recommendations are also presented to the organisation.

5.2.1 Hypothesis Validation
The study sought to address the following major research question:
To what extent does acquisition strategy contribute to competitive advantage?
The study showed that strategy significantly contributes to competitive advantage. The variables that were identified in model 3 contribute to 56.5% of variance in profitability, which make it a valid contribution. This however means that there are other variables that need to be analysed further. The research sought to answer the minor research questions, and this was achieved. The major finding of the study was that economic performance did not have an impact on growth.

5.2.2 Modified of Conceptual Framework
Figure 5.1 shows the modified conceptual framework that is statistically relevant after all the findings were taken into consideration. Hypothesis H2 to H6 were supported and are represented by the solid lines, while hypothesis H1 was rejected and is represented by the broken line.
The rejection of H1 is a contribution to management theory as it highlights that economic performance does not necessarily foster organisational growth. This is because of the sources of economic growth of Zimbabwe, which emanate from factors such as high government expenditure, and not solid value adding activities that create employment and increase consumer consumption. This study contributes to strategy literature by providing empirical evidence on the impact of acquisition growth strategy on business model and profitability of supermarket chains. Indications are that profitability is realised more through a wider product range. This study also contributed three models, which when incorporated effectively measure the impact of acquisition strategy on competitive advantage.
5.2 CONCLUSIONS

5.2.1 OK Zimbabwe realised significant sales growth and improved its competitive position in the supermarket retail industry. However, this growth was not dependent on economic performance.

5.2.2 The strategy significantly increased growth, as the wholesale-retail model contributed significantly to the profitability of the Group. The extent to which a strategy configures the business model depends on the extent to how the business model meets strategic objectives.

5.2.3 The strategy influenced the business model, which would best meet the growth objectives. This was incorporated in the retail mix through price and product.

5.2.4 The regulatory environment (legislation) affects the business model. This was evident as the fiscalisation policy negatively affected service delivery.

5.3 RECOMMENDATIONS

5.3.1 The study noted variations in the way respondents (especially middle management) answered the questions pertaining to profitability relative to industry average and the extent to which the wholesale –retail model affected the retail model. This is an indication of the lack of industry knowledge and lack of in-depth performance knowledge between the OK business models (wholesale retail vs. retail). The organisation should engage in depth analysis, integrated knowledge and business intelligence systems that assist all levels of management to effectively determine their position in the industry and equip them with the knowledge that ensures they improve on weaknesses.

5.3.2 Customer service and promotions were rated by respondents on a lower scale as an indication of profitability (almost uncertain and lower significant level). This is an area where further competitive advantages can be exploited through greater sales effort. These can be realised by pursuing innovations through the uniqueness of the customer experience. OK can improve service by adding an online catalogue where customers can do
their comparative price checks, as opposed to the customers calling stores for quotations.

5.4 AREAS OF FURTHER STUDY
The study focused on the retail mix elements identified by (Dunne, Lusch, & Carver, 2011). Future researches should take into consideration other variables, which were not included in this study such as knowledge integration, business processes and the in-depth interrelationships among the business models, and productivity.

The study was conducted over a five-year period and failed to provide sufficient evidence of channel conflict. A study, which considers a ten-year period, should be conducted to assess the effects of the economy on growth, establish the impact on the business model, assess channel conflict, and to determine the competitive position of the organisation in the longer term.
REFERENCES


ZIMRA. (2011, October 1). *Fiscalisation Explained*. Retrieved from Zimbabwe Revenue Authority:
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APPENDIX I: QUESTIONNAIRE

THE IMPACT OF ACQUISITION STRATEGY ON COMPETITIVE ADVANTAGE. A CASE STUDY OF OK ZIMBABWE.

QUESTIONNAIRE FOR MANAGERS AND EMPLOYEES

This questionnaire seeks to collect data to assess the impact of the wholesale-retail model on the performance of the retail supermarket. The period under consideration is April 2009 to March 2013. It will be appreciated if you answer all questions. Your responses will be used only for academic purposes and your responses will be treated in strict confidence.

Note:
The Group refers to the organisation as a whole (i.e. OK Zimbabwe).
The wholesale-retail model refers to the OKmart brand.
The retail model refers to the OK and Bon Marche brands.

SECTION A: BACKGROUND INFORMATION
Please tick, list or state where appropriate

1. Age:
   18-25 ( )  26-35 ( )  36-45 ( )  46 -55 ( )  56 -65 ( )

2. Gender:
   Male ( )  Female ( )

3. Employment level:
   Executive ( )  Management ( )  Supervisory ( )  General ( )

4. Years of employment with the organisation:
   0-5 years ( )  6-10 years ( )  11-15 years ( )  16 - 20 years ( )  21 years and above ( )

5. Did you work in the organization at the time of the acquisition of Makro assets?
**SECTION B: GROUP PERFORMANCE**

Please rate the change in the indicators listed below, by ticking the appropriate response.

The responses are as follows:

1. Very significant  
2. Significant  
3. Not Sure  
4. Insignificant  
5. Very Insignificant

<table>
<thead>
<tr>
<th><strong>Macroeconomic Factors</strong></th>
<th><strong>(VS)</strong></th>
<th><strong>(S)</strong></th>
<th><strong>(NS)</strong></th>
<th><strong>(I)</strong></th>
<th><strong>(VI)</strong></th>
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<tr>
<td>6 What was the impact of macroeconomic factors on the sales growth of the Group</td>
<td></td>
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<td>7 To what extent did economic factors influence the business model decision (wholesale-retail)</td>
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<td>8 What was the impact of liquidity challenges on the Group's profitability</td>
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<td>9 What was the impact of forex exchange rate changes on the Group's profitability</td>
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<tr>
<th><strong>Legislation change</strong></th>
<th><strong>(VS)</strong></th>
<th><strong>(S)</strong></th>
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<tr>
<td>10 To what extent did the fiscalisation policy negatively impact service delivery</td>
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<td>11 To what extent did the fiscalisation policy negatively impact profitability</td>
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<td>12 To what extent did the indigenisation act facilitate growth through the new business model</td>
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<td>13 To what extent did the minimum capital requirements affect the profitability of the Group</td>
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<tr>
<th><strong>Business Model</strong></th>
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<th><strong>(S)</strong></th>
<th><strong>(NS)</strong></th>
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<tr>
<td>14 Accelerated growth</td>
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<td>15 Diversification by moving into another line of business</td>
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<td>16 Increase customer base</td>
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How does the wholesale-retail model differ from the existing retail model in terms of the
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<tr>
<td>17</td>
<td>Product offering</td>
</tr>
<tr>
<td>18</td>
<td>Pricing</td>
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<tr>
<td>19</td>
<td>Merchandising</td>
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<td>20</td>
<td>Sales effort</td>
</tr>
<tr>
<td>21</td>
<td>Target market (customers)</td>
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<td>22</td>
<td>To what extent does the wholesale-retail model reduce the sales growth of the retail model</td>
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<td>23</td>
<td>To what extent does the wholesale-retail model contribute to the profitability of the Group</td>
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<td>24</td>
<td>To what extent does the performance of the wholesale-retail model meet strategic goals</td>
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<td></td>
<td>Rate the performance measures which appropriately define success of strategies:</td>
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<tr>
<td>25</td>
<td>Profitability</td>
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<td>26</td>
<td>Sales growth</td>
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<td>27</td>
<td>Shareholder Return</td>
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<tr>
<td><strong>Profitability</strong></td>
<td></td>
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<tr>
<td>28</td>
<td>To what extent has the Group's profitability improved</td>
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<td>29</td>
<td>How has the firm's profitability relative to industry average increased</td>
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<td></td>
<td>To what extent has increased profitability been attributed to the following:</td>
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<td>30</td>
<td>Improved service</td>
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<td>31</td>
<td>Product quality</td>
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<td>32</td>
<td>Wider product range</td>
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<td>33</td>
<td>Affordable prices</td>
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<td>34</td>
<td>Better promotions</td>
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<tr>
<td>Growth</td>
<td></td>
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<td>--------------------------------------------</td>
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<td>35  How has the market share of OK increased after the introduction of the wholesale-retail model</td>
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<tr>
<th>How do you rate the firm's increase in the following:</th>
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<tbody>
<tr>
<td>36  Sales</td>
</tr>
<tr>
<td>37  Customers</td>
</tr>
<tr>
<td>38  Market share</td>
</tr>
<tr>
<td>39  To what extent is growth attributed to the wholesale-retail model</td>
</tr>
</tbody>
</table>

Thank you for your cooperation.