MADZIVIRE CENTRE OF TRANSFORMATION

"Nurturing Lifelong Learning".

MaCoTra Singing ORGANISATIONS THAT TRANSFORM: A Teaching/Learning Case History of FINANCE in Zimbabwe

By

Dr Alex Benjamin MADZIVIRE
(Doctor of Business Leadership – UNISA)

Founder & Inspirational Leader of

MaCoTra (Madzivire Centre of Transformation) (Pvt) Ltd

Tel: +263-4-852053, Tel/Fax: +263-4-852054, Mobile: 011 606 433, 091 3 235 532
E-mail: madzivab@macotra.co.zw, Website: www.macotra.co.zw

ABSTRACT

This teaching/learning case history of FINANCE in Zimbabwe is a derivative of my doctoral thesis at the University of South Africa's (UNISA) School of Business Leadership (SBL) from 2001 to 2003.

An intensive literature search on transformation, change management and leadership revealed that the transformation theory arena has been driven by case studies. However, the case studies cited were predominantly Western.

This article is a contribution towards the number of case studies on the subject of organisational transformation in non-Western emerging economies. A longitudinal case study approach is used to capture the experiences (in transformation) of FINANCE, a Zimbabwean company, spanning from 1980 when Zimbabwe attained its independence to 2000.

To understand the thought processes underlying major decisions made along the way, perspectives of major stakeholders like business executives, worker opinion leaders, the media, customers, suppliers, government and civic society are included.

Multiple data collection methods enhanced triangulation of evidence.

Fourteen constructs formed the basis of data collection.

Ten challenges and eight themes emerged from the study of FINANCE.

I recommend that the FINANCE case be used alongside the other three case history to appreciate the challenges of organisational transformation in the emerging economy of Zimbabwe unearthed through the full study.

This article should also be used together with another article covering a comprehensive analysis of the social, political and historical context within which managers acted.

Introduction

A detailed case history of FINANCE, studied as part of my doctoral study for the degree of Doctor of Business Leadership with the University of South Africa's (UNISA) Graduate School of Business Leadership (SBL), is presented.

The main objective of this article is to appreciate the richness of unfolding events and complexities of FINANCE (a Zimbabwean company) reactions to internal and external pressures for change.

The within case analysis reflects that there is need to develop a deeper understanding of the Zimbabwean, regional and global environment within which the company operated.

This article should be used together with another article covering a comprehensive analysis of the social, political and historical context within which managers acted.

Three other case histories, documented as separate articles, constituted part of the full study and should be used alongside the FINANCE one to gain further insights into the challenges of organizational transformation in Zimbabwe.

CASE OVERVIEW

> *Our vision of tomorrow dictates that today, we identify ourselves with those growth sectors and sections of our community from whose midst we expect the emergence of tomorrow's economic giants and conglomerates i.e. the small – to medium – scale entrepreneurs, the majority of whom are in the informal sector. This is also one way through which FINANCE can help in the job creation process.*
>
> *Annual Report, 1995*

FINANCE operated on negative capital as far back as the late 1980's since it was associated with an internationally disgraced bank, SUSPECT. A new chairman was appointed to the board of directors in 1993 with a specific mandate from the government of Zimbabwe to see to the turnaround of the bank.

Between 1993 and 1995, the chairman led the board in a search for a managing director to replace the one who was running the operations of FINANCE in an acting capacity. In 1994, the bank was on the verge of collapsing. However, the board found a suitable candidate to lead the transformation process in early 1995. The candidate was tasked to perform a dual role of managing director and CEO.

Reviewing the background of FINANCE in the 1995 annual report, the newly appointed managing director and CEO indicated:

> Stakeholders the world over had their confidence in SUSPECT, and indeed in the whole financial system in general, shaken as others lost money through illegal, unethical and all other despicable acts of financial misconduct as revealed and levelled against SUSPECT. Such was the background to the discomfort which by history and association also affected the bank.
>
> Although the Zimbabwean operation of SUSPECT and now FINANCE was not actually involved in the kind of scandals that its half parent (SUSPECT) was accused of, it was not spared from either the local or international confidence backlash.

After analysing and understanding the challenges FINANCE faced, the managing director led in the crafting and implementation of a 5-year vision to turnaround the bank. Given the lack of transparency in previous dealings, the bank committed itself to high levels of transparency in all its operations within acceptable levels of banking practice.

The 5-year vision was achieved one year earlier, in 1998. The board chairman retired from the board in this year convinced he had contributed to the strategic positioning of the bank for growth.

An overlapping 5-year vision was developed in 1998 and was being implemented during the time of this study.

FINANCE prided itself of good performance in a declining economy. The bank started turning around as from 1995, was recapitalised and privatised by 1997 and started focusing on strengthening itself through global networking and smart partnerships in 1998. FINANCE was voted 'the best domestic bank in Zimbabwe' twice in succession in 1999 and 2000.

The Changes That Took Place

The major changes that took place in FINANCE are summarized in Exhibit 1 below.

Exhibit 1: Time Line of Major Events in the History of FINANCE

Year	Major Events
1991	**FINANCE loses technical support from the SUSPECT London office.**
1993	**Chairman is appointed, with FINANCE having no Managing Director.**
1994	**FINANCE is on the verge of collapsing. Directors do not recommend any dividend; FINANCE does not publish its annual report.**
1995	**Managing Director is appointed; Incumbent also assumes role of Chief Executive Officer.** **Eight areas of need for a 5-year strategic plan are identified; FINANCE adopts formal strategic planning and management techniques as a way of running affairs. FINANCE closes the year on a negative net worth position and the directors do not recommend any dividend. Through tender, there is a change in FINANCE's external auditors.**
1996	**FINANCE predominantly focuses on: Internal risk management; Further technology upgrading and enhancement; Reaching out beyond boarders for correspondent bank networks; Creating necessary confidence and credibility so vital to business of banking; Intensified image clean-up and marketing exercises as part of the groundwork preparations for the all important recapitalisation exercise scheduled for 1997; Further strengthening of human resource skills and improvement in policies, systems and procedures.**
1997	**FINANCE witnesses the first positive results of the turn-around strategy: Successes are registered in the areas of human resources development, technology enhancements, internal restructuring and improvements in risk management, image profiling and marketing. Recapitalisation assumes centre-stage; Government agrees to idea, dilutes its shareholding from 100% to 20%, agrees to concept of recapitalising through a privatisation route and further extends an invitation to foreign investors to invest in FINANCE.**
1998	**Considered FINANCE's watershed year which seals the first phase of the turnaround strategy and sees the start of a new 5-year strategic plan. Two technical partners are signed on. FINANCE is privatised and restructured; Board membership increases from 5 to 14, with 3 executive directors; Various board committees are established; Joint auditors engaged to establish and maintain ultra-transparency.**
1999	**Devoted to the consolidation and the implementation of the technical partnership agreement. FINANCE is voted "Best Domestic Bank in Zimbabwe by the world-wide Euromoney annual country surveys and awards for banking excellence".**
2000	**Focus shifts from survival and consolidation towards leadership among financial institutions in Zimbabwe; FINANCE starts benchmarking against one or two market leaders in Zimbabwe while not losing sight of regional aspirations. FINANCE establishes a properly defined and stand-alone marketing and sales division. FINANCE becomes third largest bank in Zimbabwe and the largest locally owned in terms of market share and balance sheet size. FINANCE manages to create a powerful brand for its products based on a differentiation strategy. Through a smart-partnership alliance, FINANCE is first bank in Zimbabwe to launch assurance products and provide a one-stop shop for financial products and services. FINANCE is again voted "Best Domestic Bank in Zimbabwe by the world-wide Euromoney annual country surveys and awards for banking excellence". FINANCE goes through its first ever restructuring to a leaner and more effective organisation with no disputes recorded.**

Source: Annual Reports

Broadly, the changes FINANCE experienced may be classified under turnaround to profitability and solvency, privatisation and growth.

Turnaround

As noted in the 1997 annual report, "throughout the period 1995 – 1997, FINANCE remained focused on its strategic plan and progressively recorded steady improvements in its financial results which gradually returned the bank to profitability and solvency".

Exhibit 2 below shows the steady improvements.

Exhibit 2: FINANCE's Six Year 31 December Highlights

	1995	1996	1997	1998	1999	2000
Total Assets (Z$ m)	779	3 186	6 471	8 463	10 118	18 400
Total Deposits (Z$ m)	636	2 816	4 669	3 628	7 416	13 350
Loan Portfolio (Z$ m)	733	858	2 241	3 898	5 913	8 251
Cumulative Provisions (Z$ m)	5	58	110	267	458	1 143
Profit Before Provisions (Z$ m)	67	85	141	260	341	1 067
Profit after Tax & Provisions (Z$ m)	62	84	109	130	137	256
Shareholders' Funds (Z$ m)	105	180	597	676	773	977
Dividends Paid (Z$ m)	NIL	NIL	44	52	60	90
Number of Commercial Banks in Zimbabwe	5	5	7	7	9	11
Market-Share Deposits	5.3	18.4	20.3	15.4	18.1	22.5
Number of FINANCE Branch Outlets	9	11	14	17	21	24
Staff Complement	391	474	650	722	808	716
% Provisions/Total Loans	1	7	5	7	8	14
Investment in Technology (Z$ m)	7	25	69	128	280	316
Number of FINANCE's International Correspondent Banks & Partners	8	24	32	46	46	47

Source: Annual Report 2000

Privatisation

The privatisation process is aptly summarised in the managing director's review of operations in the 1997 annual report:

> Being one of the first state institutions to be privatised, the process leading to this exercise involved detailed discussions and intensive consultations with government, covering such issues as the objectives behind proposals to privatise and recapitalise the bank, the benefits of having a technical partner, targeted beneficiaries of the privatisation process and the modalities of the process, the timing of the issue and pricing of the shares, their tradability and vehicle for

their trading. A number of inter-ministerial committees had to deal with different aspects of the issues mentioned above, the conclusion of which was the green light to proceed in July 1997. By the end of 1997 FINANCE was privatised and successfully recapitalised in what was viewed as 'record time' by local standards.

Growth

Having achieved its Vision 2000 in 1998, FINANCE poised itself for corporate re-engineering, all-round growth and stability through smart-partnerships in the same year. Vision 2003 for the bank captures the intentions:

> FINANCE has embarked on a drive to strengthen and expand its market base by the year 2003. This will be achieved through a strategy of networking and joint ventures with other key players in the market. FINANCE plans to become a regional and international banking force by the year 2003.

Triggers of Change

Given its originally battered image, the main drivers of change for FINANCE were the government and the need for good corporate governance.

From the appointment of a new board chairman in 1993, the bank took an approach of reporting on its condition in as transparent a manner as possible to enable all the stakeholders to make informed decisions in their dealings with the bank. Evidence in every annual report from 1995 clearly highlights this.

Significantly, the opening paragraph on corporate governance in the 1999 annual report is repeated in 2000:

> FINANCE is fully committed to the principles of openness, integrity and accountability. Accordingly the directors recognise the need to conduct the business with integrity in accordance with generally accepted corporate practices as set out in the King Committee Report on Corporate Governance. The Audit Committee is mandated to review compliance with the principles of good corporate governance …

Key Players

The key players in the FINANCE transformation efforts are best summarised in the bank's annual reports under appreciation statements. For example, the 1995 annual report reflecting the initial successes of the turnaround has the managing director appreciating:

- All clients of the bank, old and new, for their unflinching and growing support respectively.
- The government of Zimbabwe as represented by the Ministry of Finance and in particular, the office of the registrar of banks and financial institutions.
- The Reserve Bank of Zimbabwe, as both supervisory and regulatory authority.
- The chairman and board of directors of FINANCE for their leadership support and guidance …
- All local and international financial institutions and correspondents.
- Prospective new shareholders who have shown interest in supporting the bank in the coming year.

- The public in general and, last but not least, management and staff members of the … team – without whose support and commitment to doing the right thing, the bank would never have made the kind of remarkable progress registered so far.

Evidence of the significant contribution made by these key players runs in the annual reports over the years. Even in 2000, considered by economists as one of the most difficult years since Zimbabwe's independence, a similar set of key players appears in the annual report.

For example, the managing director links the key players to the bank's vision in the 2000 annual report by stating:

> Mindful that these results would not have been achieved without the unwavering support of the bank's customers and all other stakeholders, we wish to extend our special and heartfelt gratitude to the following:
>
> - The bank's existing and new customers for keeping the vision alive.
> - The bank's shareholders for the continued support and faith in the leadership of the crew during the very dark hours of the storm.
> - The Reserve Bank of Zimbabwe and the Ministry of Finance for their wise counsel and guidance.
> - The bank chairman and his team for their commitment to the cause of the bank.
> - The FINANCE family for their commitment with each one of them keeping the individual pledges of commitment and hard work calculated to ensure that the battle is won as promised at the Great Indaba.

Time Available for Initial Stages of Changes

Strategically, very little time, if any, was available for the initial stages of the changes. Although it took the board a little over 1 year to search and attract a suitable candidate to lead the operations of the bank, the candidate integrated strategic planning and strategic implementation.

For example, in the second month of his appointment, he was out with a team of staff to work on Vision 2000. Further, within the turnaround strategy was built in the recapitalisation and privatisation change. Also, an overlapping growth strategy was encapsulated in Vision 2003 since the first vision had been achieved ahead of plan.

Operationally, foreign investors and due diligence exercises were carried out over the first 6 months of 1998. The exercises were viability and feasibility assessments by potential external investors who had shown interest in investing in FINANCE in line with its privatisation programme carried forward from 1997.

The Kind and Quality of Help Needed

The help needed was related to the challenge areas isolated in Vision 2000 and Vision 2003.

Given the 'market image of the bank' challenge, FINANCE engaged an independent firm of market research consultants. The consultants compared the bank's image at the beginning and at the end of 1995. The consultants reported that the bank's public image and market profile had improved during the period.

Under the 'human resource balance sheet', a broad-based staff development and skills enhancement programme was put in place.

Internal and external expertise helped deal with the 'systems and procedures' challenge. The managing director reported in the 1995 annual report:

> Specifically, documented policies, systems and procedures are now in place in respect of treasury operations, accounting, international, personnel, marketing, lending and follow-up operations, auditing, information systems and technology, administration, organisation and methods, economic research, strategic planning, corporate services, branch level activities, delinquent loans and extensions services, community banking and card-based products, among others.

A joint team of local and South African based international consultants helped set up the treasury systems. An international non-governmental organisation twinned with a British consulting team to set up systems and procedures for the new community-based lending programme while Irish consultants were contracted to put up the most-up-to-date systems and procedures for the management of a non-performing book, including the extension services to it. A local team of external consultants helped survey and advise on personnel remuneration systems, procedures and levels while another helped develop personnel and job evaluation techniques.

Yet another international team was the bank's information technology consultants while another was used as a sounding board for strategic thinking and planning seminars. Notably, staff went for local and international courses and attachments aimed at under-pinning the bank's capabilities in technology.

The rest of the banking systems, manuals and procedures were produced in-house.

Evidently, the approach to system and procedure development was both intense and multi-pronged. At close of 1995, every aspect of systems documentation, staff training and implementation had been completed. The notes to the financial statements for the year ended 31st December 1995 by the bank's external auditors confirm this:

> In previous years, the bank's risk management systems and procedures were not followed. …
>
> This led to the granting of a high level of non-performing loans which have continued to affect the overall performance of the bank in 1995. …
>
> During the course of 1995, a number of strategies were put in place to deal

> with the system weaknesses and the management of the non-performing book. Without these measures, the continued existence of the bank would have been threatened.

The refurbishment programme started in 1994 resulted in modern face-lifts to the head office and two branches. Staff and customer service facilities were upgraded at four of the banks sites, resulting in a positive public and market image. I toured the head office and two branches and confirmed this.

In the 1995 annual report, the managing director noted that chief executives and staff of correspondent banks, especially the dealers and treasury controllers, helped by supporting the change initiatives. Further, *"most local financial institutions began to express some calculated measure of confidence in the bank. These moves helped us to overcome the pressures that had started to build on the bank at the beginning of the year"* (Managing Director, in 1995 annual report).

The government of Zimbabwe, through the Ministry of Finance, helped by appointing and giving a mandate to turnaround the bank to the chairman in 1993. Through the Reserve Bank of Zimbabwe (RBZ), the government proceeded to audit the affairs of the bank in 1997. This was part of the RBZ's new approach to banking supervision and prudential regulation. The audit helped position FINANCE for privatisation. An inter-ministerial committee assisted in dealing with issues relating to the privatisation.

Relevance of Changes to Personal and Business Goals

The changes were relevant to business goals as shown in Exhibit 2 above and Exhibit 7 below.

The bank is quite specific in terms of its focus on personal issues. A section on employment and development in the 1999 annual report reads:

> The following principles underlie the Employment and Development policy:
>
> - All people have the need and potential to grow and to influence their own destinies, and should be given the opportunities and exposure to do so;
> - All employees should be treated as individuals regardless of race, sex and creed;
> - All employees are capable of making their own decisions regarding their lives and development and should be encouraged to do so;
> - In defining and refining the policy, all relevant stakeholders are consulted continuously.
>
> The bank endeavours to employ, empower and develop competent people in order to utilise their potential, expand their careers and assist them in becoming valuable contributors to sustainable competitive advantage.

Of significance is the position that FINANCE took in assisting government with the much-needed foreign currency to deal with the fuel crisis towards the close of the century. Government would have further borrowed from international lending institutions deepening the foreign debt. FINANCE managers considered this gesture as the organisation's contribution towards resolving the economic problems the country is facing.

Advocates "Walking-the-talk"

There is strong evidence that the advocates of change walked the talk. Notably, the board searched for a suitable candidate to take on the role of managing director and CEO, the chairman resigned from the board after making his contribution to the turnaround, and the board established various committees which were reconfigured as and when necessary.

Clearly, the new managing director and CEO and his team led by example. For example, in the 1995 annual report, he, on behalf of the bank at large, cautioned habitual defaulters:

> … I wish to reiterate the Bank's position with respect to defaulting borrowers of FINANCE, new and old, who do not take seriously their contractual obligations in the mistaken hope, and false belief that the Bank will "write-off" such outstanding balances.
>
> …
>
> I am of the belief our economy cannot prosper to its maximum potential, if financial indiscipline and delinquency on the part of those who have been availed depositors' funds is tolerated. Furthermore, I believe it is a bad omen for any economy to have a distressed financial system emanating from poor debt recovery.
>
> …
>
> Furthermore, in the context of our turnaround programme and Vision 2000, the team charged with the task of project rehabilitation and debt recovery treat their Bank and regard the mission with a passion, viewing this institution with pride to be defended at all costs against borrower delinquency without fear or favour.

Acknowledgement of Fear and Anxiety

Fear and anxiety were acknowledged. The managing director had this to say in the 1999 annual report:

> The 1995-1999 turnaround journey involved tests of our staff's character and calculation, their courage and determination in the face of adversity and uncertainty that prevailed then. After privatisation in 1997, the map began to unfold, with the initial goal and objectives of the turnaround programme becoming clearer and clearer to many stakeholders. The consolidation period 1998/9 which has just been completed involved a lot of adaptation to change.
>
> The ability to change with times is a function of attitude, confidence and clarity about what the future holds in store for an individual, group or organisation.

Assessment of Progress

Progress was assessed continually through the various teams that were set up to manage the challenges identified. Such assessments are highlighted quite visibly in annual reports. A typical example is Exhibit 2 above.

FINANCE put in place rigorous assessment systems and reported on these in a detailed fashion. For example, a section of the 1997 annual report reads:

> One major aspect achieved was the setting up of quarterly personal, department, branch and divisional quantitative and qualitative targets focusing on profitability, liquidity, interest and exchange rate risk, credit risk, earnings and solvency areas. These targets were combined with intensive follow-ups and checks for achievement and compliance by the Bank's strategic planning unit and internal audit departments respectively, with both departments reporting directly to the chief executive.

The bank not only had internal assessment systems in place but also benefited from the assessments by RBZ. For example, the excerpts of the RBZ 1997 annual report by the Banking Supervision Division read:

> A landmark development was the first ever full examination of a commercial bank. This involved an evaluation of the bank's entire operations in order to determine capital adequacy; asset quality; management competence; profitability; effectiveness of liquidity management systems, adequacy of accounting and internal control systems, applicable guidelines as well as the verification of information submitted through prudential returns ….

FINANCE went beyond financial assessments. For example, on the managerial human resource base, pertinent statistics reported in the 1999 annual report reflect:

- % of bank managers with degrees and professional qualifications (10% in 1995) — 65%
- % of bank managers with advanced degrees (2% in 1995) — 6.75%
- Average age of permanent employees — 29 years
- Average age with the bank — 4.3 years
- Annual staff turn-over — 13%
- % of expatriate bank managers (nil in 1995) — 0.5%
- % female bank managers (2% in 1995) — 20%
- Staff retention rate — 94.02%

On the bank's reward restructuring front, FINANCE sought to link rewards to individual performance.

Belief in Change

Some ex-employees interviewed considered the demands of the turnaround too tough and left the organisation. On the contrary, in the 1995 annual report, the new managing director and CEO indicates "quite a number of staff either left the bank service for greener pastures or retired".

FINANCE managed to retain the staff who believed in the turnaround and only went through a retrenchment process in the year 2000. The 1999 retention rate of 94.02% of the 1995 staff figure is quite significant. The CEO pointed out in the 1999 annual report:

> The new year will unfortunately witness, for the first time in the history of the bank, a staff retrenchment process arising out of an exercise which seeks to align our technological status and investment in centralised activities with the optimal staff numbers required to drive the re-engineered organisation.

Power and Accountability Structures

A new board chairman was appointed to lead in the restructuring of FINANCE in order to restore the bank's viability. The restructuring was centred on capital adequacy, recruitment, placement and retention of competent management and staff, internal systems development and enhancement.

The chairman identified upon appointment that by 1993, FINANCE's capital position was under stress, primarily because of a deteriorating loan portfolio. This deteriorating loan quality position was demanding large provisions and write-offs, which in turn ate into profits, reserves and initial capital.

Between 1993 and 1995, the board worked on arresting the problem by improving the quality of the loan portfolio through security enhancement on all existing loans. The board also applied stricter loan approval guidelines and instituted tougher loan recovery policies and programmes than had been the case before. To this effect, the bank continued with the policy of 'instant provision' for bad loans and sought never to report unduly inflated profits.

By 1995, recommendations to the shareholder to introduce new capital into the bank had been approved.

Notable on the issue of recruitment, placement and retention of competent management was the search for a managing director between 1993 and 1995. When the board chairman was appointed, the managing director was in an acting capacity. The result of the search was the appointment of a managing director who doubled up duties as CEO as from 1995. The incumbent is generally considered to have been the brains behind the bank's success story after near collapse in 1994.

For example, the chairman commented on the capability of the new managing director and CEO in the 1995 annual report:

> By December 1995, we were already enjoying some of the fruits of his general superintendence and management of the bank's affairs. I am pleased to report that, since his arrival, the bank is now firmly in control of all its operations, especially its loan portfolio management.

The acting managing director resigned from the bank after 5 months of the new appointment in 1995 and subsequently from the board in 1996. It would appear there was enough time for the new incumbent to take over and compress the time to re-launch the bank.

A feature that highly distinguished FINANCE was the manner in which organisational structure followed strategy. Particularly, the initial stage of the implementation of Vision 2000 was the streamlining of structures within the head office.

Additionally, having broadly classified the major risk areas classified under interest, liquidity, currency, credit, default and operations risks including off-balance sheet risks, bank-wide committees were created around these areas. This was meant to better manage these areas as well as enhance communication.

Members of these committees were drawn from relevant or directly affected divisions and departments as well as other divisions of the bank whose activities impacted on each other. Membership of each committee was limited to 8.

Frequency of meetings differed from weekly, monthly, quarterly, half-yearly to yearly intervals.

Exhibit 3: 1995 Turnaround Management Committees and Responsibilities

Committee	Responsibilities
Strategic Planning & Review Committee	Develops strategic direction in conjunction with the board, serves as a platform for sharing the vision and reaffirming commitment to FINANCE, reviews progress and develops strategies to consolidate progress and redress weaknesses.
The Executive Management Committee	Top executive decision making body chaired by managing director, composed of general management, creates commonality of vision for FINANCE and sets the specific direction the bank should take to reach the agreed vision and broad objectives as set by the board.
The Central Treasury Management Committee	Principal committee that devises, regulates and implements investment policies and reviews the profile of risks associated with the bank's overall assets and liabilities.
Central Credit Committee	Main agency in directing and monitoring the bank's lending activity throughout the branches, ensuring that all advance proposals conform to laid down policies and criteria and that strict monitoring of these facilities is done in adherence with laid down policies and procedures; further, it improves the overall quality of the bank's previously poor loan portfolio administration.
Central Recoveries Committee	Manages, rehabilitates and/or recovers the bank's money from those loans and advances that have been identified and classified as delinquent and needing special attention.
Central Accounts and Budget Review Committee	Formulates the bank's budget projections for both operational and capital expenditure, with key functions of planning, implementing, monitoring and achieving the bank's profitability, liquidity and solvency targets, preparing accurate and timely financial statements which comply with relevant statutory and non-statutory regulations and standards.
Central Marketing and Deposit Mobilisation Committee	Creates conditions that stimulate internal creativity to bring about continuous improvements to marketing and sales methods and to generally alter the make-up of the bank's deposit mix.
Central Procurements Committee	Evaluates requests for the procurement of goods and related expenditure including standardisation of internal requirements, ensuring that the procurement process is effective and transparent.
Information Technology Committee	Determines the role of banking technology applications, devises and implements strategies to ensure FINANCE's technical support systems continue to enable the bank to effectively compete in the local and international banking arena.
Human Resources Committee	Primarily responsible for staff welfare through the development, review and enhancement of staff related policies dealing with recruitment procedures, remuneration, grading, discipline, training and performance appraisal.
Extended Management Committee	An information sharing committee of head office and branch management that meets quarterly to consider and resolve problems and generally share information on bank wide developments and ideas and, to ensure a process of continuous quality improvement.

Source: Annual Report 1995

Following the privatisation of the bank and its tie-up with external technical partners and shareholders, new directors were appointed to the board. This expanded the board from 5 to 14 {from 4 non-executive directors to 11 and from 1 executive director (managing & CEO) to 3}. This necessitated the implementation of an earlier board decision to establish a number of board committees with specific terms of reference and mandates aimed at improving the bank's corporate governance structures and risk management.

Exhibit 4: 1998 Vision 2003 Committees and Responsibilities

Committee	Membership	Responsibilities
Audit Committee	1 Executive director (managing & CEO), 4 Non-executive directors	Reviews the company's audited financial statements and liaises with external auditors.
Credit Committee	2 Executive directors (managing & CEO and Credit director), 1 Senior general manager Credit, 4 Non-executive directors.	Assesses and approves project proposals for recommendation to the board.
Remuneration Committee	1 Executive director (managing & CEO), 5 Non-executive directors.	Sets the remuneration of the executive directors and approves guidelines for the company annual pay reviews.
Strategic Planning and Technology Committee	1 Executive director (managing & CEO), 5 Non-executive directors.	Reviews the bank's future strategies and allocation of resources.
Asset and Liability Management Committee (ALCO)	1 Executive director (managing & CEO), 4 Non-executive directors.	Meets once quarterly to review various risks and strategies adopted by management in running the bank's operations and complements the management's own ALCO committee which meets weekly.

Source: Annual Report 1998

The focus on good corporate governance is further amplified in the 1999 annual report:

> Directors are appointed to the board on a consensus basis by the existing board. The board is confirmed/reconstituted annually at the General Meeting of shareholders. The requirements of the Zimbabwe Stock Exchange Regulations are followed in this process.
>
> The board comprising both executive and non-executive directors, meets regularly (at least quarterly), retains full and effective control over the bank and monitors executive management. All directors have access to the advice and services of the Bank Secretary and are entitled to obtain independent professional advice at the bank's expense, should they deem this necessary. Committee chairpersons are all non-executive directors. The chairman and managing director respectively provide leadership and guidance to the board, two thirds of whom are non-executive directors. A comprehensive framework setting authorities and responsibilities in regard to information, recommendations, confirmation and approval of all matters affecting the business of the board and its committees assists in the control of decision-making and risk management processes. The directors bring a wealth of experience from their own fields of business and ensure that debate on matters of strategy, policy, progress and performance is robust, informed and constructive.
>
> A third of the longest serving directors since their election retire by rotation

each year.

Corporate governance was also enhanced through participation of workers. The 1999 annual report highlights this:

> Worker participation is enhanced by a network of communication champions nominated by their colleagues to act as communication facilitators between management and staff.
>
> The workers committee exists to provide a platform for employees and their recognised trade union representatives to consult meaningfully on issues that affect them. The parties are committed to good faith bargaining based on full disclosure of information, detailed motivation of proposals and the generation of alternative options, with the objective of reaching consensus.

Power and accountability structures were not only at board level. The FINANCE organisation structures were aligned to the challenges and the strategy. The 1999 annual report spells this out.

Having identified seven categories of stakeholders {Shareholders; Customers (both depositors and borrowers); Board, management and staff; Regulatory and Supervisory Authorities; Correspondent Banks and Financial Markets in general; Suppliers of Goods and Services; Government and the General Public at large}, FINANCE proceeded to organise itself functionally as reflected in Exhibit 5 below.

Exhibit 5: 1999 Functional Organisation Structure

		Executive Director Credit
		Executive Director Operations
Board of Directors ---------------	Managing Director & CEO -----	Executive Director Finance
		Senior General Manager Marketing & Sales
		Secretariat, Audit, Human Resources, PR, Strategic Planning, Training & Change Management

Source: Annual Report 1999

Specifically, departments below went through radical changes influenced by stakeholder expectations. The new accountability structures are reflected in Exhibit 6.

Exhibit 6: 1999 Department Accountabilities

Stakeholder Expectations	Accountability	Focus and Intended Outcome
Improve the profitability of the bank; Create an even better image of the bank; enhance its stability and create the necessary strong security in the eyes of depositors, correspondent banks and the financial markets in general	Marketing and Sales Division	Implementation of a product diversification strategy: The bank has historically had a skewed deposit mix in favour of high-cost funds to the detriment of its profitability aspirations. The transformation of this structure ranks high on the priority list of the division.
The optimal restructuring of the advances mix, coupled with a quality lending approach.	Credit and Advisory Services	Development of additional fee-based income through offering tailor-made financial solutions to large corporate borrowers as well as advisory services on privatisations, mergers and acquisitions, debt restructuring and rehabilitations. The services will be a precursor to the formal application for a merchant banking licence.
Systems stability, reliability, timeliness and accuracy of reports.	Operations Division	Operational services unit: reduce costs by removing the current stand-alone back office work in branches to centralised facility; Information technology department: provide I.T. solutions to all branches and head-office departments and look after the bank's electronic banking and card delivery systems; Logistical services department: identify viable sites for the bank's branch network.
Productivity of staff in terms of income, total deposits and total assets per employee per year.	Human Resources	A motivated and quality FINANCE human resource balance sheet.
Ensure business risks and opportunities for improvement are properly identified and managed through appropriate management action, implementation and controls.	Internal Audit	Tracking down transactions to source documents, checking on compliance issues and ensuring systems weaknesses are brought to the attention of senior management for immediate and appropriate rectification.
Ensure that appropriate management, board and shareholder meetings are properly held and proceedings thereat are adequately minuted, provide legal opinions to various bank departments and maintain constant liaison with external parties such as Board members, Shareholders, lawyers, ZSE, the Law Society and Share Register Administrators.	Bank Secretariat	Drive the corporate governance charter of the bank

Source: Annual Report 1999

Organisational Learning

Evidence in annual reports reflects that the newly appointed managing director and CEO engaged a team of staff in identifying and isolating the challenges FINANCE faced. This was in the second month of his appointment to the position when the team set out on a strategic planning workshop to turnaround the bank.

The evidence also indicates that the workshop captured the expectations of all stakeholders who included shareholders, customers, the board, management and staff, correspondent financial institutions, the government, the Reserve Bank of Zimbabwe, the media and public in general.

The team learnt from the strategic planning process that the major challenges the bank faced as at 1 January 1995, a month before the appointment of the managing director and CEO, included:

- Strategic planning (There had been no vision and mission before);
- Recapitalisation (Capital base had been seriously eroded by past poor performance as evidenced by the negative net worth of the bank as at 31st December 1994);
- Image building (There was need to cleanse the internal and external market stigma of SUSPECT, whose shadow was still lingering in the minds of many stakeholders. The challenge included the need to refurbish and upgrade the physical facilities of the bank following several years of neglect);
- Human resource development (There was need to reconstruct the bank's human resource balance sheet by building a competent and capable team. The challenge included the need to motivate staff, instil a sense of pride in and passion for their organisation after years of scorn and isolation. Performance standards also needed to be established);
- Systems and procedures (There was need to document appropriate systems and procedures for managing the bank given the loss of technical support from the SUSPECT London office in 1991);
- Technology (The bank was lagging behind technologically. There was need to introduce appropriate technology as a driving force towards competitiveness);
- Internal structures (There was need to restructure the bank's organograms from head office to branches and to appoint staff with the right skills for the positions created at all levels of the branch);
- Re-launching the bank locally and abroad (There was need to re-launch the bank given its low profile in order to integrate it into the community of key financial players);
- Performing and non-performing loan portfolios (There was need to assess the overall quality of the bank's total assets and specifically its loan portfolio, to isolate and distinguish between performing and non-performing clients in the bank's books to facilitate the development of appropriate strategies to manage each category);
- Deposit mobilisation and the broadening of the resource base (There was need to broaden the bank's deposit base and mix from an almost total dependence on a few institutions to a broad-based balance sheet funding base which would yield positive results in terms of the bank's overall liquidity, profitability, capital adequacy and solvency aspirations).

FINANCE team leaders were proud that the privatisation of the bank was not only a learning experience for the organisation but also for others. This is echoed by the managing director in his 1997 review of operations:

> Without their understanding of the processes involved and their assistance, the bank would never have recorded the achievements it has to date. The bank stands as a positive reference point for future privatisation in Zimbabwe and the knowledge and experience gained in the process is available to be tapped into by many.

Of major significance under organisational learning was FINANCE's total involvement programme. This related to sharing its vision, mission, objectives and strategies with every staff member. The managing director indicated in the 1997 annual report that *"it is believed"* this had *"a very positive influence on internal stability and management is committed to upholding this openness and transparency in running the affairs of the bank"*.

New Ideas about Purpose and Strategy

FINANCE adopted formal strategic planning and management techniques as a way of running the affairs of the financial institution for the first time in 1995. Eight areas of need for a 5-year strategic plan popularly known as 'Vision 2000' by FINANCE staff were identified.

Reviewing the 1998 performance, the managing director highlighted the eight areas as:

- The need to embrace strategic thinking as a way of life in FINANCE and to act accordingly;
- The need to rebuild a credible human resource base in FINANCE;
- The need to rebuild and restore FINANCE's battered image locally and abroad and to reconnect with the outside world;
- The need to re-establish, introduce, install and rebuild a credible set of bank policies, systems and procedures to safeguard client/bank operations given that previous systems had fallen apart;
- The need to identify, acquire and install a credible, secure and reliable technology base in the face of the antiquated base which was in place;
- The need to streamline internal structures and introduce new ones commensurate with strategy given that these structures had broken down and no strategy was in place;
- The need to identify and separate the non-performing from performing loan portfolio and to devise strategies for rehabilitating the said non-performing loan book;
- The need to recapitalise FINANCE, return it to profitability and solvency.

Having achieved Vision 2000 in 1998, FINANCE developed another plan called Vision 2003 focusing on growth as highlighted earlier. The intentions were clarified in the 1998 annual report:

> We intend to achieve the above Vision through unparalleled dedication to duty and commitment to quality as will be achieved by:
>
> - The retention and/or recruitment of a highly motivated, customer-focused and appropriately skilled management and staff who shall at all times be competently rewarded for its efforts.
> - The establishment and maintenance of a stable, user-friendly and reliable information technology base.
> - The provision of secure, customer friendly and accessible service/product

delivery channels.

- The adoption, upholding and implementation of best practice methods of corporate governance.
- By placing our customers at the centre of all our endeavours.

A new department in charge of corporate planning, change management and staff training was also established to take responsibility for the overall coordination and monitoring of the implementation aspects of the new strategic plan. The department was also responsible for spearheading the Bank's strategy driven change management programme and associated human resource development and training.

Success of Changes

Overall, the changes FINANCE experienced were successful as reflected in the Exhibits. Not only did the bank learn from its successes but also from its challenges. Some of the specifics are shown below.

Exhibit 7 gives the net profit story while Exhibit 8 highlights selected productivity measures and percentage growth figures.

Exhibit 7: Net Profit Story

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Net Profit (Loss) after Provisions (Z$ m)	11.7	7.8	2.9	(81.4)	10.0	84	109	130	137	256

Source: Annual Report 2000

Exhibit 8: Selected Productivity Measures & Percentage Growth Figures

	1995	1996	1997
Productivity Measures			
Assets per employee ($000)	2 830	7 542	12 238
Total loans per employee ($000)	1 153	1 688	3 378
Total deposits per employee ($000)	1 627	5 942	7 399
Total income per employee ($000)	290	361	523
Total expenses per employee ($000)	119	181	301
Total costs per employee ($000)	59	89	104
Total profit per employee ($000)	171	180	222
Percentage Growth Over Previous Years			
Assets per employee	0.90	2.67	1.58
Total loans per employee	1.04	1.47	1.95
Total deposits per employee	1.79	3.66	1.21
Total income per employee	1.26	1.25	1.41
Total expenses per employee	1.42	1.52	1.62
Staff costs per employee	1.44	1.51	1.14
Operating profit per employee	1.16	1.06	1.20

Source: FINANCE Human Resources Division Highlights quoted in 1997 Annual Report

FINANCE considered the micro-and-small enterprise sector as one of the most dynamic sectors in Zimbabwe and started assisting this sector as part of a contribution towards overcoming the unemployment problem facing the country.

The 1995 annual report highlights sentiments from 3 clients.

One client who started a company employing 800 staff and had 22 vehicles in his fleet through partnering with FINANCE in 1995 said:

> Some banks did not even have the courtesy to reply to my application.

Another client who got assistance from FINANCE to boost his small business from a staff complement of 30 in 1985 to 285 in 1995 had this to say:

> The Bank's service is excellent, and I am what I am today because of FINANCE.

A third client employing 36 staff in 1995 from the original 6 at the inception of the company in 1985 commended on FINANCE:

> The bank has helped me tremendously and I have nothing but praise for FINANCE.

Although these testimonies reflect the positive aspects of the marketing strategy, this focus had limitations related to credit risk. The limitations were an opportunity for breakthrough thinking. The managing director points out in the 1999 annual report:

> The harsh economic environment we are operating in has meant that a number of our clients have been adversely affected by the high interest, high inflation and low foreign currency situation which existed in the country for the whole of 1999. Accordingly, in order to both protect the bank from high credit default rates and at the same time assist clients to trade through these difficulties, a special technical rehabilitation and collection department was established. The outcome of that move has so far been positive.

The limitations were also influential in determining the marketing strategy. The managing director highlights this in the 1999 annual report:

> Historically the Bank's loans and advances book has been skewed in favour of the small to medium scale enterprises who are quite vulnerable in times of stress. Our vision 2003 Strategic Plan and the supporting annual business plans articulate how this anomaly will be addressed to achieve an optimal advances mix by the year 2003. In the year under review, a great deal was achieved to move towards the desired book structure without neglecting to support our traditional clients.

Commenting specifically on staff retention, the managing director had this to say in the 1998 annual report:

> To some extent, the bank is becoming a victim of its own successful human resource development efforts in that it has become a fertile hunting ground for virtually all financial institutions from new to the established, from small to large, from locally owned to foreign and from junior level right up to the top. Three years ago and before, FINANCE staff were shunned by the market.
>
> While obviously regretting the loss of the … family to competition, the Bank cannot help but feel highly complimented and flattered by this new development.

Major findings

Ten challenges and eight themes emerged from the study of FINANCE.

EMERGING CHALLENGE	SUCCINCT DESCRIPTION
1: Economic reform and poverty reduction	Organisations that transform in Zimbabwe have to conduct business aimed at sustaining long-term high rates of economic growth driven by agriculture in order to reduce poverty.
2: Employment creation and entrepreneurship	Organisations that transform in Zimbabwe have to create employment and upscale entrepreneurship to enable the state restructure its economy and compete globally.
3: Boosting investor Confidence	Organisations that transform in Zimbabwe have to contribute towards the reduction/elimination of (trans)national conflicts and crime (including corruption) in order to boost investor confidence.
4: Value-enhanced products and services	Organisations that transform in Zimbabwe have to (re)brand value-enhanced products and services for the global market.
5: Consensus building amongst stakeholders	To succeed in leading change in their companies in Zimbabwe, managers need to forge an institutional framework and process for consultation and consensus building amongst stakeholders on the make up of reform programmes.
6: Institutional capacity Building	Organisations that transform in Zimbabwe need to build institutional capacity to minimise /eliminate the gap between designed plans and their implementation.
7: Gender consciousness	Organisations that transform in Zimbabwe need to move to a higher level of consciousness in gender relations by engaging in gender analysis in order to empower women.
8: Role of international lending institutions	In the design and implementation of reform programmes in Zimbabwe, non-state actors will have to assist governments assess the role of international lending institutions. Business leaders, in particular, will have to play a pivotal role.
9: Privatisation	Managers of companies to be privatised in Zimbabwe are to undertake the privatisation process transparently, informed by a stakeholder driven team. Such privatisation is to be an effective vehicle for indigenisation of the economy.
10: Culture of non-performance	There is need to attract and retain capable staff to arrest movement of non-performing staff across Zimbabwean companies.

EMERGING THEME	SUCCINCT DESCRIPTION
1: Collaboration with key stakeholders	Intense collaboration with key stakeholders leads to the success of transformation efforts.
2: Stakeholder needs and expectations	Organisational transformation revolves around changing stakeholder needs and expectations.
3: Stakeholder promises	Organisational transformation revolves around changing promises to address changing stakeholder needs and expectations.
4: Delivery processes	Organisational transformation revolves around changing processes to deliver changing promises.
5: Structures and systems	Organisational transformation revolves around changing structures and systems to align with changing processes.
6: Capacity and capability	Organisational transformation revolves around changing capacity and capability to sustain the momentum of the change.
7: Active listening	Staff need to actively listen to business stakeholders' needs and expectations
8: People care	Organisational transformation revolves around changing capacity and capability to sustain the momentum of the change.

Recommendations

The FINANCE case may be used for teaching/learning purposes.

I recommend that the FINANCE case be used alongside the other three case histories to appreciate the challenges of organisational transformation in the emerging economy of Zimbabwe unearthed through the full study.

This article should also be used together with another article covering a comprehensive analysis of the social, political and historical context within which managers acted.

SOURCE REFERENCE

Madzivire A. B. (2003). *Organisations That Transform: Exploring the Challenges in the Emerging Economy of Zimbabwe.* Unpublished Doctor of Business Leadership (DBL) Thesis: Harare