

**ANALYSING MANDATE FULFILMENT, THE RELATIONSHIP  
BETWEEN BUSINESS LEVEL STRATEGY AND  
PERFORMANCE WITHIN AGRIBANK.**

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# DEDICATION

To all the farmers in Zimbabwe who in one way or the other support Agribank. Without you, Agribank will not fulfil its mandate. I hope this research will contribute to better organisational performance and more support to you, the farmers.

# DECLARATION

**Student's Declaration:-** I, **EDWARD NHAMOINESU TOME**, 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 this dissertation is therefore my original work and has not been presented in part or in full for any other degree in any other University.

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**Supervisor Declaration:-** I, **David Madzikanda**, confirm that the work reported in this dissertation was carried out by the candidate under my supervision as the University supervisor. This dissertation has been submitted for review with my approval as the University Supervisor.

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## **ABSTRACT**

The issue that this study addresses is poor organisational performance of Agribank, a state owned bank. This study explores mandate fulfilment, the relationship between business level strategy and organisational performance using a Grounded Theory strategy. The purpose of this research is to explore and fully understand how mandate fulfilment and the business level strategy affect the performance of Agribank in Zimbabwe. To gather data, in depth interviews with twenty participants were conducted and analysed using NVIVO. The data analysis led to two themes. One theme highlighted an organisation which is stuck in the middle with no coherent business level strategy. The other theme highlighted that Agribank's *raison d'être* (reason for existence) is mandate fulfilment of supporting agriculture and not tangible financial dividends to the shareholders. These themes are useful for understanding the poor organisational performance of state owned enterprises such as Agribank in Zimbabwe by the shareholders, board of directors and the bank's employees. These themes also help the policy makers such as Government, the board of directors and the bank's employees understand the importance of a coherent business level strategy for better organisational performance while fulfilling the bank's mandate.

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# CHAPTER 1

## 1.0 INTRODUCTION

Strategic management has been considered to be essential to the running of any business. However, the link between strategy and organisational performance has not been clearly established. Moreover the link between mandate fulfilment and organisational performance has been under-researched. As a result many researchers have attempted to establish the relationship between business level strategy and organisational performance (Pongatichat & Johnston, 2008). The further importance of strategy is that it leads to organisational performance which in turn and directly affects the Gross Domestic Product (GDP) of a country, (Allen, Helms, Jones, Takeda, & White, 2007).

Since the global financial crisis of 2007, most organisations were severely affected as financial support from the global markets dried up and demand for goods and services plummeted. Therefore, to ensure their survival most organisations are focussing more on crafting and implementing their business level strategies very well for better organisational performance. In support of this notion, most researchers have advanced the argument that business level strategy affects organisational performance (Andrews, Boyne, & Walker, 2006; Beal, 2000; Conant, Mokwa, & Varadarajan, 1990; Nandakumar, Ghobadian, & O'Regan, 2010b). This study explores this notion in the Zimbabwean context.

In exploring this relationship, some literature advocated for mixed methodology (Dean & Snell, 1996; Garrigós-Simón, Palacios Marqués, & Narangajavana, 2005; Goll & Rasheed, 1997; Hayes, 1985; Maria, Oltra, & Luisa, 2010; Nandakumar, Ghobadian, & O'Regan, 2010a; Rhee & Mehra, 2006; Ward & Duray, 2000). Another set of literature support the qualitative methodology in order to gain meaning (Andrews et al., 2006; Leavy, 2012; Slater & Olson, 2000; Steyn & Niemann, 2010). One set of literature also advocates for the quantitative methodology to explore the relationship between business level strategy and organisational performance (Beal, 2000; Boyd & Fulk, 1996; Goll & Rasheed, 2004; Kim & Lim, 1988; Oltra & Luisa Flor, 2010).

Only a relative handful of studies support the generalisation of findings from the exploration of this relationship (Grazzini, 2013; Narayanan & Fahey, 2013; Zott & Amit, 2008). However, Greene and Caracelli (1997) assert **that the hallmark of a good qualitative research is particularity rather than generalisability.**

This chapter highlights the background, legal framework and mandate of Agribank. The shareholding, branch network and the market position of Agribank is covered. The statement of the problem, research objectives and the research questions are clearly articulated. The research proposition is put forward. Justification and scope of the research is looked at.

## **1.1 CONCEPTS**

According to Barney and Hesterly (2012) an organisation's **strategy** is defined as the organisation's theory about how to gain competitive advantage. **Competitive advantage** is when a firm creates more economic value than rival firms (Barney & Hesterly, 2012; Grant, 2010; Thompson, Peteraf, Gamble, & Strickland, 2012). Rue and Holland (1986) echo that **strategy** is the way the firm pursues its goals given its resources and capabilities as it exploits opportunities and deals with the threats in the environment. At this stage in this research, **business level strategy** is defined as the organisation's theory about how to gain competitive advantage in a single industry or business (Barney & Hesterly, 2012).

Barney and Hesterly (2012) agreed with Walter, Edelman, Hatten, and Carraher (2014) citing Hatten, Schendel, and Cooper (1978) that **corporate level strategy** is the actions that the organisations take to gain competitive advantage by operating in multiple industries or markets simultaneously. **Organisational performance** is measured by profitability, return on assets, return on sales and return on equity (Barney & Hesterly, 2012).

## **1.2 BACKGROUND OF AGRIBANK**

The Agricultural Development Bank of Zimbabwe, trading as AGRIBANK evolved from the Land and Agricultural Bank (LAB) set up in 1924 by the then Government of Southern Rhodesia to become the Agricultural Finance Corporation (AFC) which was established in 1971 by an Act of Parliament.

Agribank was founded in 1999 after transforming from the Agricultural Finance Corporation (AFC). AFC was strictly an agricultural finance service provider and had been in that business since 1924. Due to the Government's land reform programme, AFC was transformed into Agribank and assumed more commercial banking activities such as retail, corporate and international banking services. Agribank was no longer strictly focused on the agricultural loans business portfolio as it was also expected to compete for all commercial banking business. Currently, Agribank commands about two percent of the market share of the banking industry (Reserve Bank of Zimbabwe, 2014).

### **1.2.1 LEGAL FRAMEWORK**

Agribank operates under a recent legal framework whereby Government of Zimbabwe owns 100% of the Bank. The Ministries of Finance and Agriculture maintain 50% shareholding apiece in the institution. The Bank is a loan granting and deposit taking agricultural development financial institution, subject to the regulation and supervision of the Reserve Bank of Zimbabwe. The bank is registered and operates in terms of the Banking Act of Zimbabwe (Chapter 24:20). The main business of the Bank is provision of Agricultural loans, retail banking services, discounting of bills, treasury services, provision of bridging finance, corporate finance and advisory services. In addition, as an institution owed by the Government of Zimbabwe, Agribank is Government's important and primary vehicle for channelling financial resources for agriculture. However, Agribank is not involved in the lease and mortgage finance business which seem to be a source of growth and profitability for other financial institutions.

### **1.2.2 AGRIBANK'S MANDATE**

The bank's mandate is to provide sustainable Agricultural Development Finance and banking services to contribute to the country's attainment of economic growth, development and prosperity, in partnership with public and private sectors. Agribank is managed by an executive management team and a Board of Directors which is appointed by the shareholders. The bank has profit centres namely, Agricultural Development, Treasury, Retail and Corporate Banking.

Support services are provided from Head Office in the form of Finance, Corporate and Company Secretarial Services, Risk Management, Internal Audit, Human Resources, Information Communication Technology, Projects and Advisory services.

### **1.2.3 SHAREHOLDING AND BRANCH NETWORK**

As an agricultural development institution Agribank has a wide branch network and operates in all provinces of the country right up to district level. Agribank has forty eight branches nationwide. The bank has a long tradition of agricultural credit extension experience and expertise in both rural and commercial farming areas. The Bank is well positioned to capture the market in respect of clients left inconvenienced by the withdrawal of other commercial banks from outlying areas after the land reform programme.

Whereas AFC had several shareholders who included the Government of Zimbabwe, farmers, fertilizer companies and IMF through IFC, Agribank now has only one shareholder that is the Government of Zimbabwe. AFC used to rely on its international shareholders to mobilise lines of credit, latest technology and other resources to carry on with its various business activities, Agribank now solely relies on its sole shareholder (Government) to mobilise its resources. The single shareholder for now has various economic challenges and as a result cannot raise any funds to fund the operations of Agribank. Agribank is now tied to the political, economic and other risks associated with its shareholders whereas before these risks were very low and diversified internationally.

### **1.2.4 AGRIBANK'S MARKET POSITION**

According to Reserve Bank of Zimbabwe (2014) market share rankings Agribank is right at the bottom of the ladder if the troubled banks list is disregarded. It has about **two percent** of the **market share** and that market share is dwindling. Agribank is one of the banks with a very high non performing loan ratio. Agribank is perceived as one of the most expensive banks in terms of bank charges to clients.

Besides being an agricultural bank which must focus more on farmers, Agribank competes in all the other market segments with all the other commercial banks. Agribank only offers concessionary funding to farmers only when given the funds by the Government and when explicitly directed to do so otherwise most of its banking products are very expensive. Agribank is also now venturing into the micro finance business to boost its earnings.

### **1.3 STATEMENT OF THE PROBLEM**

However, since dollarization the bank has been consistently underperforming, that is, it has been posting losses perennially and the bank cannot pin point the main exact causes. The shareholders too are worried as the bank continues to erode its capital base which will compromise the bank's ability to fulfil its mandate. This qualitative grounded theory study seeks to explore and fully understand how mandate fulfilment and its business level strategy affect the performance of Agribank in Zimbabwe. The research attempts to find out if the yearly loss making trend of Agribank is wholly or partly due to its business level strategy or not.

### **1.4 RESEARCH OBJECTIVES**

- 1.4.1** To examine mandate fulfilment as a factor of organisational performance measurement for a state owned entity.
- 1.4.2** To explore how Agribank's business level strategy affects its performance.
- 1.4.3** To help the bank's staff to fully understand and appreciate the importance of business level strategy and its effects on organisational performance.

### **1.5 RESEARCH QUESTIONS**

- 1.5.1** Is mandate fulfilment an important factor of organisational performance measurement for a state owned entity?
- 1.5.2** How does Agribank's business level strategy affect its performance?
- 1.5.3** How can Agribank's staff members fully understand and appreciate the importance of business level strategy and its effects on organisational performance?

## **1.6 RESEARCH PROPOSITION**

Agribank's business level strategy has been negatively affecting its organisational performance due poor strategy content and poor strategy implementation.

## **1.7 JUSTIFICATION OF THE RESEARCH**

However, most of the extant literature focus on analysing the effect of business level strategy on the performance of organisations in Europe, Asia, America and none covers Africa particularly Zimbabwe. Despite many studies in analysing the effect of business level strategy on the performance of organisations what remains to be explored is to examine if the same findings and conclusions hold true for Agribank, a financial institution in Zimbabwe as is suggested by the existing literature (Andrews *et al.*, 2006; Beaver, 2007; Gupta & Lonial, 1998; Hambrick, 1980; Nandakumar *et al.*, 2010a).

The scarcity of information about how business level strategy affects organisational performance in Zimbabwe especially a state owned enterprise such as Agribank is regrettable because it is this sort of insight and information that the Government is requiring if it is to fully support the bank and monitor both its economic and social contributions towards Zimbabwe Agenda for Sustainable Socio Economic Transformation (ZIMASSET) (Ministry of Finance, 2014).

Previous studies over looked the important concept of examining mandate-fulfilment as a factor of organisational performance measurement. This study includes it and analyse its effects. This study also contributes to the literature by exploring if this relationship holds true generally for organisations in Zimbabwe. This study also helps the bank's management, board of directors and the Government (shareholders) in crafting strategies and policies that facilitate better organisational performance of Agribank thereby enabling it to fully discharge its mandate of financing agricultural development in Zimbabwe. The study also helps the staff at the bank to fully appreciate the importance of business level strategy and its effects on organisational performance.

Not enough studies have been done to investigate the effect of business level strategy on performance of financial institutions particularly state owned institutions therefore this research wishes to fill in that literature gap, (Ahmed Sebaa, Wallace, & Cornelius, 2009; Andrews *et al.*, 2006). State owned enterprises usually do not have their own business level strategy but try to fit into the prevailing Government's strategy in fulfilling their mandates (Ahmed Sebaa *et al.*, 2009). Perennial losses posted by Agribank have inspired the researcher to investigate the causes.

According to Steyn and Niemann (2010), every organisation must operate with a business level strategy and failure to do so is akin to an organisation 'muddling through' or groping in the dark with disastrous consequences. Failure to understand the effect of business level strategy on organisational performance is disastrous, (Abraham & Brian, 2007). Nandakumar *et al.* (2010a) echo that there is need to understand the relationship between business level strategy and organisational performance. Naidoo (2009) concludes that organisations rise and fall on leadership, vision and strategy.

The research would like to find out if the proposition by several authors (Ghobadian *et al.*, 2007; Leavy, 2012; Steyn & Niemann, 2010) that business level strategy affects organisational performance hold true for Agribank which is a state owned enterprise (SOE) in Zimbabwe.

## **1.8 SCOPE OF THE RESEARCH**

This research is confined to Agribank in Zimbabwe. The researcher makes use of in depth interviews, official documents and recorded audio materials to gather data for the purpose of this study. Agribank's management are the participants. The research only considers the period June 2014 to January 2015 in assessing Agribank's performance.

## **1.9 DISSERTATION OUTLINE**

Chapter 2 covers the literature review. A thorough examination of key and recent contributions to literature relevant to the research area in question shall be synthesized, compared and contrasted in order to show convergence or contradictions. Literature review helps conceptualise the research framework. Chapter 3 covers the research methodology including relevant details of the methods used in data collection and data analysis. Chapter 4 deals with the data analysis, interpretation of the findings and discussions. Chapter 5 discuss the conclusions, the recommendations and areas of further research.

## **1.10 CHAPTER SUMMARY**

This chapter highlighted the purpose and the significance of the study, statement of the problem, research objectives and the research questions. The background, legal framework and mandate of Agribank were examined. The shareholding, branch network and the market position of Agribank were covered. The research proposition was clearly articulated. Justification and scope of the research were examined and discussed. The next chapter reviews the literature.

## CHAPTER 2 LITERATURE REVIEW

### 2.1 INTRODUCTION

This chapter on literature review considers the effect of business level strategy on organisational performance as moderated by the external environment and organisational structure. The research considers cheap chic, cost leadership, integrated and differentiation as business level strategies. Organisational structure is operationalised as either mechanistic or organic. However, the organisational shareholding is also looked at under the organisational structure.

Miles and Snow typology is discussed in the context of the classification of the bank's reaction to changes in the external environment. The environment, organisational structure, non-performing loans and land reform are also examined as some amongst several other factors affecting organisational performance. Organisational performance is discussed in terms of **mandate fulfilment**, objectives fulfilment, relative competitive performance, return on assets (ROA), return on sales (ROS) and the level of non-performing loans (NPLs). Finally, the conceptual framework is presented for discussion and adoption.

### 2.2 CONCEPTS

According to Barney and Hesterly (2012), business level strategies are actions organisations take to gain competitive advantages in a single industry or market. The functional strategies guide particular functional levels within an organisation, for example, the marketing functional strategy to achieve marketing objectives (Johnson, Whittington, & Scholes, 2011).

The four business level strategies discussed in this research are cost leadership, differentiation, cheap chic and integrated strategies. **Cost leadership strategy** focuses on gaining competitive advantages by reducing the costs of the organisation to below those of all its competitors, (Barney & Hesterly, 2012). According to Barney and Hesterly (2012), **differentiation strategy** is whereby firms attempt to gain competitive advantage by increasing the perceived value of their products or services relative to that of their competitors.

According to Hill (1988) an **integrated strategy** implements a service or product differentiation strategy that can lead to increased volumes of sales which in turn leads to economies of scale, learning and various reductions in costs thereby giving the organisation a cost leadership position. In this case, neither of the two strategies give the organisation a sustained competitive advantage (Barney & Hesterly, 2012). The integrated strategy gives the organisation a very costly to imitate competitive advantage (Barney & Hesterly, 2012). This strategy also leads to a **Blue Ocean Strategy** which follows value innovation to create an uncontested market space (Kim & Mauborgne, 2005). According to Grant (2010), a **cheap chic strategy** involves maintaining the basic model of the low cost producer and also adding a few differentiation characteristics of the upscale producer. This strategy offers a much higher standard of service or product relative to that of competitors but albeit at a lower cost (Grant, 2010).

### 2.3 BUSINESS LEVEL STRATEGIES

Business level strategies must enable the organisation to achieve sustainable competitive advantage thereby enhancing its performance, (Barney & Hesterly, 2012; Johnson *et al.*, 2011; Maria *et al.*, 2010; Thompson *et al.*, 2012). According to Maria *et al.* (2010) the selection of your particular business level strategy in a way predetermine the choice of your functional level strategies which have a direct impact on organisational performance. The main role of functional strategic decisions is to give absolute and eternal support to the previously chosen business level strategy, (Oltra & Luisa Flor, 2010). Most authors (Maria *et al.*, 2010; Matsuno & Mentzer, 2000; Olson, Slater, & Hult, 2005; Slater & Olson, 2000) emphasized fit between business level strategy and functional level strategies to achieve better organisational performance.

According to Stonebraker and Leong (1994) business level strategy drives functional level strategies or vice versa for better or worse organisational performance. Management must always be aware of these linkages when formulating business level strategies, (Stonebraker & Leong, 1994).

In other words, the functional level strategies must suit the business level strategic requirements or the business level strategy must drive the functional level strategies, (Maria *et al.*, 2010; Nandakumar *et al.*, 2010b; Nandakumar, Ghobadian, & O'Regan, 2011). In both cases, functional level strategies lead to the development of distinctive or core competences that impact on organisational performance, (Barney & Hesterly, 2012; Hayes, 1985; Johnson *et al.*, 2011; Thompson *et al.*, 2012). The above arguments are complementary and clearly demonstrates that the relationship between functional level strategies and business level strategy and their impact on organisational performance is of utmost importance, (Oltra & Luisa Flor, 2010). Dean and Snell (1996) posit that functional level strategies need to be aligned to the business level strategy for better organisational performance.

Existing literature puts forward that business level strategy does have a positive effect on organisational performance if the organisation is pursuing a differentiation strategy, (Gupta & Lonial, 1998; Ward & Duray, 2000; Williams, Souza, Rosenfeldt, & Kassae, 1995). Ward and Duray (2000) emphasize that this effect is witnessed only in high performing firms. The researcher wonders if this holds true for Agribank. These authors conclude that functional level strategies follow the business level strategy which then impacts either positively or negatively on the organisation's results (María García-Pérez, Yanes-Estévez, Ramón Oreja-Rodríguez, & González-Dávila, 2014). The effectiveness of the functional level strategies is dependent on the chosen business level strategy (Maria *et al.*, 2010). These conclusions are yet to be proven in Agribank in the context of Zimbabwe

Rhee and Mehra (2006) assert that functional strategy must be aligned with business level strategy because functional strategies affect organisational performance differently according to the chosen business level strategy. Rhee and Mehra (2006) argue that functional strategy must be aligned with business level strategy because functional level strategies affect organisational performance differently according to the chosen business level strategy. The research explores if there is alignment between Agribank's business level strategy and its functional level strategies.

When an organisation aligns its innovation with utility, price and cost levels it attains **value innovation** as it pursues a **Blue Ocean Strategy** (Kim & Mauborgne, 2005). Blue Ocean strategy does not benchmark against competition, but makes competition irrelevant because the organisation's market space is uncontested (Kim & Mauborgne, 2005). Blue Ocean strategy breaks traditional market boundaries to give more value to both customers and non customers and it is not about value-cost trade off anymore (Kim & Mauborgne, 2005). These authors conclude that Blue Ocean strategy simultaneously drives costs down while increasing buyer value.

#### **2.4 MILES AND SNOW TYPOLOGY**

Depending on their strategic choice, Miles and Snow (1978) used their typology to classify organisations into four different types, that is, defenders, prospectors, analysers and reactors. **Defenders** are organisations that serve a particular market niche while **prospectus** continually identify and serve new product or service offerings and market opportunities (Maria *et al.*, 2010). **Analysers** are in between prospectors and defenders by continuing to serve existing segments and endeavouring to be fast followers (Miles & Snow, 1978). **Reactors** are organisations without a coherent strategy and only react when they are forced by environmental pressures (Miles & Snow, 1978). Several studies empirically analysed these strategic types and came to an agreement with Miles and Snow (1978) typology (Cabello, Garcia, Jimenez, & Ruiz, 2000; Conant *et al.*, 1990; Hambrick, 1980; McDaniel & Kolari, 1987; Miller, 1992; Segev, 1989; Shoham, Evangelista, & Albaum, 2002; Slater & Narver, 1993; Slater & Olson, 2000; Smith, Guthrie, & Chen, 1989; Snow & Hrebiniak, 1980).

**Defenders** look for stability within their niche market as they seek to serve a stable market that buys the organisation's offerings (Maria *et al.*, 2010). According to Maria *et al.* (2010) defenders invest heavily in the efficient production and distribution of their offerings. **Prospectors** try to invest heavily in a single production process so as to leave other options on the table when confronted with new market opportunities (Maria *et al.*, 2010).

**Analysers** adopt a technological core for efficiency (Miles & Snow, 1978). Lastly, **reactors** have no consistent response mechanisms and are therefore difficult to predict their strategic behaviour (Maria *et al.*, 2010; Miles & Snow, 1978). Miller (1992) as echoed by Slater and Olson (2000) found that defenders base their competitive advantage on either quality leadership or cost leadership. This has been propounded by Miles and Snow (1978). Analysers are a combination of defenders and prospectors as is shown by Snow and Hrebiniak (1980) and also supported by McDaniel and Kolari (1987). The research also explores how Agribank is classified according to Miles and Snow typology.

The generalisability of Miles and Snow (1978) typology was proven beyond doubt by Segev (1989) and Smith *et al.* (1989). Miles and Snow's typology is the backbone of both the functional strategies and the chosen business strategy as present literature has demonstrated (Maria *et al.*, 2010).

## 2.5 EXTERNAL ENVIRONMENT

Existing literature by Hambrick (1983b), Kim and Lim (1988) and Miller (1988) extensively explores the relationship between the environment and the business level strategy. Boyd and Fulk (1996) conclude that firms face significant challenges from their environment and their survival and competitiveness is dependent on their ability to monitor their environments and adapt their business level strategies accordingly.

According to Nandakumar *et al.* (2011) previous studies about the effect of business level strategy on organisation's performance do not include the moderating effect of both the internal and external environment. Extant literature **operationalises environment as dynamic, complex and hostile**, (Nandakumar *et al.*, 2010a). According to Nandakumar *et al.* (2011) citing (Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Thompson, 1967) **dynamism** is the rate of change of innovation in the industry and the unpredictability of the actions of competitors and customers. Complexity may be termed heterogeneity (Nandakumar *et al.*, 2010a).

**Complexity** is the variations in the firm's markets that causes diversity in production and marketing techniques (Chandler, 1962; Khandwalla, 1972; Porter, 1979). Khandwalla (1972) and (Miller (1987); Miller and Friesen (1984)) defined **hostility** as the degree of threat faced by the organisation as a result of competition intensity and upswings and downswings of the organisation's industry. Goll and Rasheed (1997) investigate how favourable environmental forces can support the firm and it is termed **munificence**. It is environmental hostility's opposite (Nandakumar *et al.*, 2010b).

Mintzberg (1979) posits that the performance of an organisation is largely dependent on the environment-strategy fit. The study examines if Agribank's strategy fits its environment. Empirical studies by Pelham (1999) puts forward that the success of the business level strategy is largely dependent on the environmental characteristic of the industry.

Several scholars argue that a **cost leadership** is suitable for **predictable and stable environment** while a **differentiation** strategy is appropriate for **uncertain and dynamic environments** (Hambrick, 1983b; Kim & Lim, 1988; Marlin, Hoffman, & Lamont, 1994a; Miller, 1988; Porter, 1980). Jennings and Lumpkin (1992) aver that organisations pursuing a differentiation strategy do the environmental scan for threats while those pursuing a cost leadership scan the environment for opportunities. O'Regan, Sims, and Gallear (2007) and Marlin, Lamont, and Hoffman (1994b) proposes that organisations do not make huge fixed investments in an environment with low levels of complexity and dynamism. Kabadayi, Eyuboglu, and Thomas (2007) added that in such environments organisation must not do high levels of innovation and product enhancement since the main competitors will not make huge changes to the their strategies.

However in hostile environments' organisations must improve efficiency thereby lowering costs and therefore may not be too fuss about product differentiation (Hambrick, 1983a; Miller, 1991; Ward, Bickford, & Leong, 1996). Organisations pursuing integrated strategies that combine differentiation strategy and cost leadership strategy especially in mature industries must scan both the external and internal environments and be cognisant of their capabilities and resources, (Beal 2000).

Barney and Hesterly (2012) asserts that these organisations must consider the resource based view (RBV) which focuses on the resources and capabilities controlled by the organisation as sources of competitive advantage. According to Nandakumar *et al.* (2011) assert that a cost leadership strategy enhances favourably the financial performance of an organisation in highly dynamic and low hostility environments. A differentiation strategy is more favourable for improving the financial performance of an organisation in a high hostility environment and an environment with low levels of dynamism (Nandakumar *et al.*, 2010b).

## 2.6 ORGANISATIONAL STRUCTURE

Dess and Keats (1987) posits that an organisation's structure and strategy must be favourably aligned with its environment. Van de Ven and Drazin (1985) and Jennings, Rajaratnam, and Lawrence (2003) argue that the organisation's structure must be closely aligned with its strategy for good organisational performance. Structure follows strategy and/or strategy follows structure is a debate still raging on and is supported by various authors in literature (Chandler, 1962; Miles & Snow, 1978; Miller & Friesen, 1984; Rumelt, 1974). The combination of strategy, environment and structure in high performing organisations differs greatly from that of low performing organisations (Lenz, 1980). Several authors in literature such as (Andrews *et al.*, 2006; Kling & Smith, 1995; Parker & Helms, 1992) have explored the relationship between business level strategy and organisational performance (Nandakumar *et al.*, 2010b). According to Nandakumar *et al.* (2010b) very few have investigated the effect of environment and organisation's structure on the relationship between business level strategy and organisational performance.

The favourable alignment of the firm's strategy to its structure and the environment is described as the strategic fit (Nandakumar *et al.*, 2010b). The framework to understand the organisation's structure suitable for particular contexts of stability and change was propounded by Burns and Stalker (1961). The framework distinguishes between organic and mechanistic structures (Burns & Stalker, 1961). **Mechanistic structure** stresses centralized decision making, strict adherence to formal rules and procedures, carefully and well documented control systems (Carrel, Jennings, & Heavrin, 1997; Slevin & Covin, 1997).

Whereas an **organic structure** emphasizes decentralized decision making, procedures are minimal and work tasks are broad and interdependent (Cabello *et al.*, 2000; Slevin & Covin, 1997). Organic structures promote autonomous strategic initiatives than mechanistic structures (Hutt, Reingen, & Ronchetto, 1988). For an organisation pursuing a differentiation or integrated strategy, autonomous strategic initiatives are a prerequisite for good organisational performance (Nandakumar *et al.*, 2010b). Miller (1986) and Ward and Duray (2000) suggest that for successful implementation of a **differentiation strategy**, an organisation must have an **organic structure**. Miller (1987) finds that an organic structure enables the implementation of a differentiation strategy by enabling the firm to scan for competitors' activities and the understanding of customers' perceptions.

Ruekert, Walker, and Roering (1985) argue that when implementing a differentiation strategy the organisation may carry out complex tasks which require a specialized structure, that is an organic structure. Russell and Russell (1992) conclude that an organic structure facilitates innovation in an organisation employing a differentiation strategy. Burns and Stalker (1961) rule out the success of implementing a differentiation strategy with a mechanistic structure. Ruekert *et al.* (1985) argue that it is difficult for an organisation implementing a cost leadership strategy to realize the desired levels of efficiency through organic structures since such an organisation will emphasize high efficiency and low cost production systems. An organisation with **mechanistic structures** is more appropriate to implement a **cost leadership strategy** (Hambrick, 1980; Ruekert *et al.*, 1985; Walker & Ruekert, 1987).

According to Walker and Ruekert (1987) the formal rules and procedures enforced by a mechanistic structure assist the organisation to minimise costs by standardizing activities. Miller (1986) emphasizes that such an organisation must have mechanistic structures which emphasise adherence to set standard procedures. This research puts Agribank's structure to test against these assertions.

According to Nandakumar *et al.* (2010b) the relationship of both cost leadership strategy and differentiation strategy with return on sales (ROS) is moderated by the organisation's structure. Nandakumar *et al.* (2010b) concludes that only in the case of cost leadership strategy, the return on assets (ROA) is moderated by the organisational structure. Whereas in the case of a differentiation strategy it is not moderated by the organisational structure (Nandakumar *et al.*, 2010b). An organisation implementing an integrated strategy achieves favourable organisational performance with a mechanistic structure because of strict cost controls and high levels of efficiency achieved within the organisation (Walker & Ruekert, 1987). According to Wilkinson (2005) the structure of the organisation determines the conduct and subsequently its performance. Conduct is the strategic behaviour of the organisation in terms of its products or services pricing, differentiation, marketing and output (Wilkinson, 2005). The study investigates if this holds true for Agribank.

## **2.7 NON PERFORMING LOANS**

Non-performing loans (NPLs) are loans which have gone past the due date by ninety days or more without any payment either for interest or capital, (Alton and Hazen (2001)). Saba, Kouser, and Azeem (2012) weigh in by defining a non performing loan (NPL) as a loan upon which the debtor has missed scheduled payments for at least ninety days. Saba, Kouser, *et al.* (2012) conclude that interest rates and real GDP per capita are positively correlated with the level of NPLs in a bank. Saba, Kouser, *et al.* (2012) aver that the key determinants of NPLs are bank specific determinants, macroeconomic variables and the regulatory framework. Bank specific factors include sum total of loans and the bank's credit policy (Barth, Caprio, & Levine, 2004; Berger & De Young, 1997; Saba, Kouser, *et al.*, 2012). Interest rate and the real GDP per capita are macro-economic determinants affecting the level of NPLs in a bank (Karim, Chan, & Hassan, 2010). High interest rates are a major contributor to a high level of NPLs as the cost of funds increases, profitability of businesses is eroded.

Keeton and Morris (1987) conclude that deteriorating macroeconomic conditions and high loan concentration in a particular sector of the economy increase the level of NPLs in the bank. Grosvenor and Greenidge (2010) citing Keeton and Morris (1987) also argue that aggressive risk taking behaviour by the banks lead to high levels of NPLs. According to a Sinkey and Greenwalt (1991) high interests rates and excessive financing results in high levels of NPLs in the banking sector. Salas and Saurina (2002) concludes that management inefficiency leads to the higher level of NPLs. Rajan and Sarat (2003) argue that macroeconomic factors and bank specific factors are positively correlated to the level of NPLs in a bank. Hu, Yang, and Yung-Ho (2006) argue that ownership structure of the bank also affects the level of non-performing loans and also concludes that a negative relationship exists between the size of the bank and the level of NPLs. Saba, Kouser, *et al.* (2012) suggests that there is a strong relationship between NPLs and annual growth in GDP, real interest rates, credit growth, annual inflation rate, real effective exchange rate, annual unemployment rate, broad money supply (M2) and GDP per capita.

Karim *et al.* (2010) show that lower cost efficiency increase the level of non-performing loans as bank charges are only increased to astronomical interest rates levels to compensate for inefficiency. Existing literature by several authors (Altunbas, Liu, Molyneux, & Seth, 2000; Fan & Shaffer, 2004; Girardone, Molyneux, & Gardener, 2004) agree that NPLs lead to very poor organisational performance in the banking sector. Berger and De Young (1997) posit that poor management in the banks give rise to bad quality loans thereby escalating the level of NPLs leading to poor organisational performance. Loans are the biggest income generating asset of a bank and therefore affect directly the financial performance of the bank,(Mabvure, Gwangwava, Faitira, Mutibvu, & Kamoyo, 2012). Some of the loans do not perform, that is, they become NPLs and adversely affect the performance of the bank (Saba, Kouser, *et al.*, 2012). Mabvure *et al.* (2012).

Mabvure *et al* 2012 concluded that exogenous factors such as natural disasters, government policy and the integrity of the borrower significantly contributed to causing a higher level of NPLs and therefore adversely affect organisational performance. Barth *et al.* (2004) and Karim *et al.* (2010) argue that good functioning banks spur economic growth while poorly functioning banks induce and aggravate poverty thereby impeding economic progress. Poor organisational performance in banks is closely associated with NPLs (Karim *et al.*, 2010).

The magnitude of NPLs usually signals the beginning and progression of a banking crisis (Grosvenor & Greenidge, 2010). The levels of NPLs are a measure of the asset quality of a bank and are associated with onset of bank failures and financial crisis (Guy, 2011). Non-performing loans (NPLs) are a cause of major concern for the authorities (Boudriga, Taktak, & Jelloulli, 2009). Brownbridge (1998) argues that the majority of the bank failures are caused by NPLs. According to Reserve Bank of Zimbabwe (2006) as cited by Mabvure *et al.* (2012), the liquidation of some banks in Zimbabwe was as a result of high levels of NPLs. Espinoza and Prasad (2010) as cited by Mabvure *et al.* (2012) conclude that ailing banks usually have high levels of NPLs prior to failure. A very low asset quality is a significant predictor of insolvency of a bank (Berger & De Young, 1997).

In Zimbabwe, non performing loans come from all classes of the banks' clients, that is large corporates, small to medium enterprises and individuals (Mabvure *et al.*, 2012). According to International Monetary Fund (2012), Zimbabwean bank failure after 2003 were caused by inappropriate shareholding structure, chronic under-capitalization, chronic liquidity challenges, high levels of NPLs, insider and related party exposures, persistent losses, weak CG and management oversight, internal control deficiencies, income generating challenges, violation of banking laws and regulations, that is, prudential lending limits, minimum capital threshold, liquidity ratios and international best practise prudential NPL threshold of 5% as stipulated by Basel II.

Brownbridge (1998) and Boudriga *et al.* (2009) agree that the level of NPLs is used as an exogenous variable to explain banking outcomes such as bank performance, bank crises and bank failures. The level of NPL provides a useful means for monitoring the organisational performance (Guy, 2011). Can the same means be used to explain Agribank's performance, this study explores this?

According to Mabvure *et al.* (2012) loans form a greater part of the bank's total assets and hence generate huge interest income for the banks. Mabvure *et al.* (2012) posits that some of these loans become non performing loans and adversely affect the performance of the banks. The major causes of non-performing loans in banks are exogenous factors such as government policy, natural disasters and the integrity of the borrower. The researcher wonders if this is the case with Agribank. According to Brownbridge (1998) most bank failures in most countries are caused by non performing loans. Fan and Shaffer (2004) conclude that credit risk is directly proportional to financial crisis and adds that credit risk builds up significantly before the onset of financial crisis and becomes more serious as the level of nonperforming loans increases.

Grosvenor and Greenidge (2010) support this by concluding that the level of non-performing loans in the United States substantially increased as from 2006 in all sectors of the economy before the collapse of the sub-prime mortgage market in August 2007. Barth *et al.* (2004) as cited by Fofack (2005) also find that NPLs led to the collapse of most banks during the Asian financial crisis in 1997.

The demise of most financial institutions in Zimbabwe between 2004 to 2006 was mainly attributed to non performing loans (Reserve Bank of Zimbabwe, 2006). According to the Reserve Bank of Zimbabwe (2012), the deterioration in assets quality as reflected by the increasing levels of NPLs in banks will soon lead to another financial crisis in the banking sector if left unsolved. According to International Monetary Fund (2012) the recent Zimbabwean bank failures were due to high levels of non-performing loans, chronic under-capitalisation and liquidity challenges, persistent losses, weak internal controls, weak corporate governance and management oversight and violation of banking regulations and laws.

The levels of NPLs in the banking sector has reached an alarming level of over 16% against the prudential threshold of five percent (5%) as stipulated by Basel II (Reserve Bank of Zimbabwe, 2012). The study examines if these are the same factors affecting Agribank's performance. According to International Monetary Fund (2012) the level of non-performing loans could rise further due to the ongoing deceleration in economic activity. Brownbridge (1998) as cited by Richard (2011) argue that the high levels of NPLs in banks were attributable to bad or wrong strategy, moral hazards, adverse incentives for bank staff to adopt imprudent lending strategies.

Waweru and Kalani (2009) agree with Palubinskas and Stough (1999) that bank failure is as a result of mismanagement and poor functional and business level strategies which give rise to a high level of NPLs. A bad strategy, bad lending tradition and poor credit control results in high levels of NPLs leading to bank failures (Goodhart, Sunirand, & Tsomocos, 1998). Palubinskas and Stough (1999) added that information asymmetry between the bank and the borrowers causes NPLs and subsequently bank failures. Strategies that minimise or counteract the effects of causes of NPLs must be implemented to ensure organisational survival (Mabvure *et al.*, 2012). Some of the causes of NPLs are a country's economic downturn, insider loans, political connection of bank's shareholders, information asymmetry, lack of skills and experience among loan officers leading to poor organisational performance (Babihuga, 2007; Brownbridge, 1998; Waweru & Kalani, 2009).

McNulty, Akhigbe, and Verbrugge (2001) and McNutt and Rossi (2010) emphasise that the controlling and monitoring of the levels of the NPLs is essential for good organisational performance of any financial institution and the economy's financial environment. Saba, Kuoser, and Azeem (2012) aver that the factors responsible for NPLs in banks are at both the firm level and macroeconomic level. A high level of NPLs is regarded as failure of credit policy resulting in poor organisational performance (Saba, Kuoser, *et al.*, 2012). Excessive financing to a particular sector and high interest rates are some of factors contributing to high levels of NPLs and poor organisational performance (Saba, Kuoser, *et al.*, 2012). Hu *et al.* (2006) argues that the shareholding structure of a bank has an effect on the level of NPLs.

Saba, Kuoser, *et al.* (2012) posits that situational factors, bank level factors and the characteristics of legal and regulatory framework must be considered when evaluating the level of NPLs and organisational performance. According to (Bester, 1994; Bofondi & Gobbi, 2003) information asymmetry leads to adverse selection and moral hazards resulting in significant levels of NPLs. Bercoff, Julian di, and Grimard (2002) agrees that NPLs are as a result of both bank specific factors and microeconomic factors. Jimenez and Saurina (2005) argue that high real interest rates, GDP growth and lenient credit terms are major determinants of NPLs.

According to Rajan and Sarat (2003) favourable macro-economic environment conditions and organisational internal factors (credit policy, loan tenor, bank size) impact significantly on the level of NPLs and therefore on organisational performance of banks. According to Boudriga *et al.* (2009) NPLs are a major cause for worry for both the Reserve Bank of Zimbabwe and international regulators since they are associated with financial distress and banking crisis.

## **2.8 LAND REFORM**

In Africa, land has been underutilised because of lack of a clear legal framework, poor land management and misuse (Nziuki, Kariuki, & Murigu, 2009). The change in customs, regulations and laws governing the ownership of land is termed land reform (Government of Kenya, 2005). In Zimbabwe it was initiated by the government and it officially started after the signing of the Lancaster House Agreement and was accelerated starting in the year 2000 (International Monetary Fund, 2012). According to the Ministry of Lands and Rural Resettlement the objective of the agrarian reform was to address land access, use and ownership imbalances which existed in Zimbabwe before 1980 (Government of Zimbabwe, 2004).

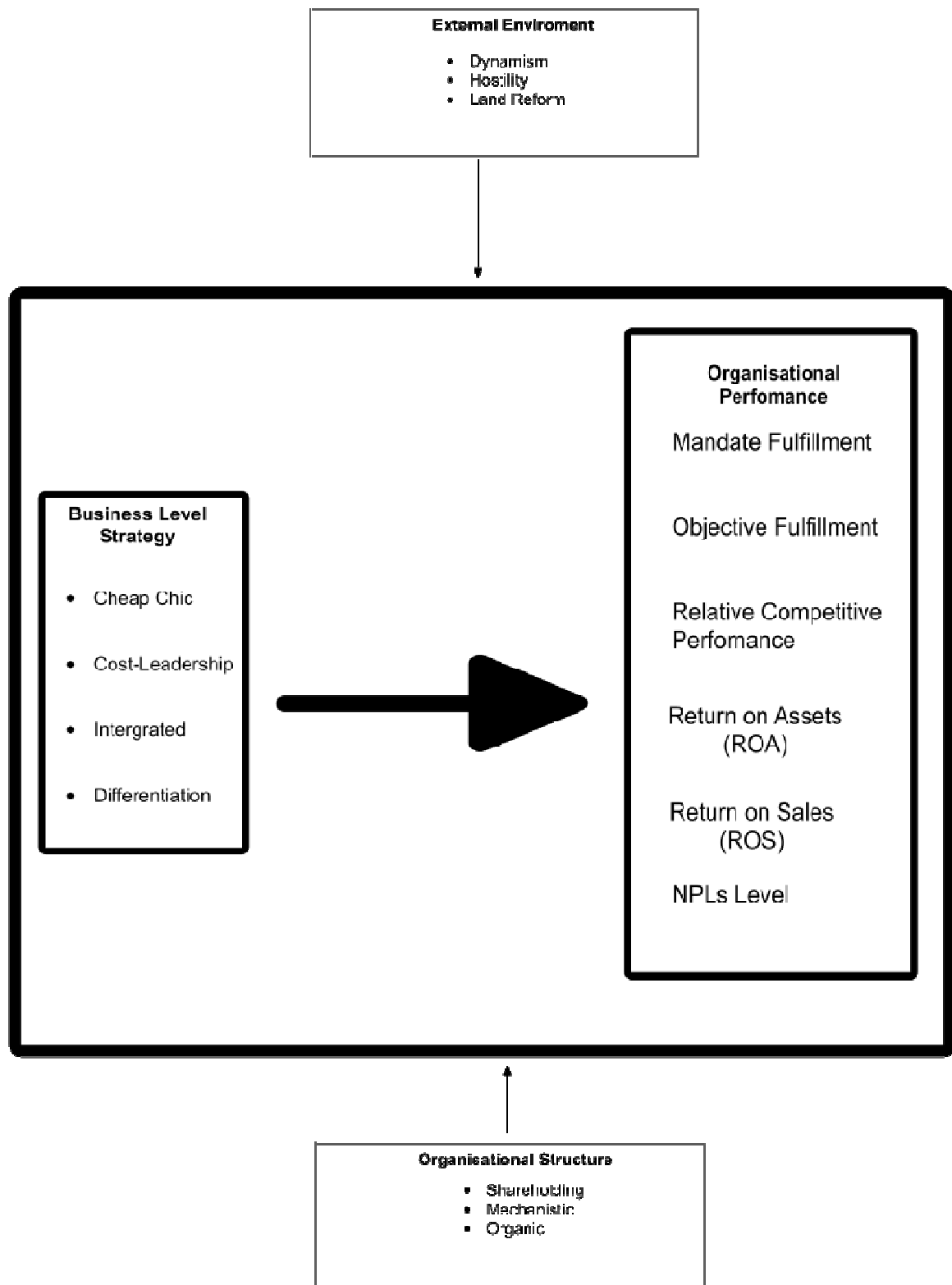
Whereas Agribank used to deal with very few high net worth farmers prior to the land reform the bank now deals with numerous small to medium scale farmers and as such must change its business model and strategy to suit the changing clients' demographics and generally the changes in the external environment (Reserve Bank of Zimbabwe, 2006).

The bank's business model was based on corporate agriculture funded by the international financiers such as Agricultural Finance Corporation (AFC) and the International Monetary Fund (IMF) (Agribank, 2014). According to Agribank (2014) the accelerated land reform programme post the year 2000 changed the shareholding structure and the funding sources for Agribank. Agribank is now crafting a new business model and new strategies that makes it well suited or adapted to the rapidly changing environment (Agribank, 2014; Government of Zimbabwe, 2013).

Agriculture is the backbone of Zimbabwe's economy and as such Agribank must play a crucial role in funding and developing agriculture in Zimbabwe (Ministry of Finance, 2014). The Zimbabwe economy is agro-based and as such any problems in agriculture most likely have serious knock on effects on the economy (Ministry of Finance, 2014). Agribank is mandated to fund agriculture development for Zimbabwe economic recovery and growth and this strategically dovetails in with the country's economic blue print called Zimbabwe Agenda for Sustainable Socio Economic Transformation (ZIMASSET) (Ministry of Finance, 2014). ZIMASSET clearly spells out Agribank's role under the food security and nutrition cluster (Ministry of Finance, 2014). Government strategy for Agriculture recovery is executed through Agribank which plays a pivotal role in Agriculture financing (Agribank, 2014; Ministry of Finance, 2014).

## **2.9 CONCEPTUAL FRAMEWORK**

Figure 2.1 below represents the conceptual framework which is used in this research. This is a conceptual framework propounded by (Nandakumar *et al.* (2010b)) and is adopted for analysis with additions such as land reform, shareholding, non performing loans (NPLs) and mandate fulfillment as factors to consider as outlined above. The conceptual framework shows that the relationship between the organisational performance and business level strategy is moderated by the organisational structure and the external environment. The conceptual framework is as shown below.



**Figure 2-1** Business level strategy as it affects organisational performance.

**Source:** Nandakumar, M.K., Ghobadian, A., O'Regean, N., (2010): Business Level Strategy and Performance, page 909.

## **2.10 SUMMARY**

The four business level strategies, that is, cheap chic, cost leadership, integrated, differentiation and their impact on organisational performance have been discussed in this chapter. Miles and Snow typology was explained and classifies organisations according to their responses to changes in the environment as defenders, prospectors, analysers or reactors. External environment, organisational structure, non performing loans and land reform were also cited and discussed as some amongst several other factors affecting the bank's performance.

Finally the conceptual framework as derived and adopted from the extant literature is presented for consideration and analysis. In the next chapter, the research methodology shall be examined.

## CHAPTER 3 RESEARCH METHODOLOGY

### 3.1 INTRODUCTION

This chapter justifies the research methodology from a philosophical perspective and discusses the research design that is useful in exploring how Agribank's business level strategy affects its performance in Zimbabwe. The discussion covers the research constructivism combined with interpretivism philosophy, an induction approach, a mono method qualitative methodological choice, Grounded Theory strategy, cross sectional time horizon, sources of data, techniques and procedures used in data collection, verification and analysis. The study is bound by the setting, the participants, the events and the processes. This chapter also examines the research limitations, the researcher's role, ethical matters and dilemmas faced by the researcher during the whole course of the fieldwork. Considered ways of reporting the findings are covered. The Grounded Theory strategy explores the particular business level strategy being implemented by Agribank and the measures of performance such as mandate fulfilment, profitability, return on assets (ROA).

### 3.2 THE RESEARCH PHILOSOPHY/PARADIGM

Social constructivism is the research philosophy or research paradigm employed in this qualitative research in order to derive meanings from the participants' perceptions and experiences and their interpretations of those perceptions and experiences (Frankel & Wallen, 2006; Locke, Spirduso, & Silverman, 2013; Marshall & Rossmann, 2011; Merriam, 1998). The ideas of the constructivist worldview was propounded by Berger and Luekmann (1967). Creswell (2014) posits that social constructivists seek to understand and interpret the world they live in.

According to Creswell (2014) citing Guba (1990) a research philosophy or paradigm or worldview is a basic set of beliefs that guide action. However Neuman (2009) calls them research methodologies which are broadly conceived. Other literature call them paradigms (Lincoln, Lynham, & Guba, 2011; Mertens, 2010). Crotty (1998) calls the research philosophies **epistemologies** and **ontologies**. Saunders, Lewis, and Thornhill (2012) define **epistemology** as the acceptable knowledge in the field of study and **ontology** as the nature of reality.

Berger and Luekmann (1967) as supported by Lincoln and Guba (1985) propound that the interpretivism perspective is a research paradigm or worldview. This research philosophy or paradigm is also echoed in recent literature (Crotty, 1998; Lincoln *et al.*, 2011; Mertens, 2010). Social constructivists seek to understand the varied and multiple meanings of their complex experiences instead of narrowing meanings into a few ideas or categories (Creswell, 2014). The questioning by the researcher is more open ended and the participants answer questions according their historical experiences, cultural norms and settings (Creswell, 2014).

### **3.3 THE RESEARCH APPROACH**

This mono method qualitative research on Agribank is largely **inductive** since the researcher generates meaning from the collected data in the field (Miles, Huberman, & Saldana, 2014). The researcher inductively generates or develop a pattern of meaning or theory from the collected field data (Saunders *et al.*, 2012). According to Kirk and Miller (1985) the qualitative research paradigm was founded in cultural anthropology and American sociology. Qualitative research has been adopted by medical and management science researchers recently (Lincoln *et al.*, 2011).

The purpose of this qualitative research on Agribank is to seek to understand a particular social event, situation, group, interaction or role (Saunders *et al.*, 2012). Miles *et al.* (2014) point out that it is an **inductive process** where the researcher constructs a meaning of a social phenomenon by comparing, contrasting, cataloguing, replicating and classifying the subject of the study. According to Crotty (1998) as humans interact with the world, they construct meanings of their world depending on their social perspectives and historical backgrounds. The researcher uses inductive methods to come to conclusions with regards to the in depth interviews with the participants drawn from Agribank's management (Saunders *et al.*, 2012). The researcher is more concerned about the participants' (Agribank's management) perceptions, experiences and their meanings to those experiences and perceptions (Creswell, 2014; Crotty, 1998; Miles *et al.*, 2014).

### **3.4 METHODOLOGICAL CHOICE**

This study pursues a **mono method qualitative methodological choice** because the researcher personally visits the setting of the study (Agribank) and immerses oneself into the participants' (management's) world to understand their perspectives, experiences and meaning through in depth interviews and on-going interactions (Frankel & Wallen, 2006; Locke *et al.*, 2013; Merriam, 1998). According to Lincoln and Guba (1985) as supported by Merriam (1998), meanings and interpretations are negotiated with the human data sources since it is the participants' (management's) meanings and realities that the researcher seeks to understand and reconstruct. The major strength of this mono method qualitative methodological choice is in its provision of detailed in depth data gathered through in depth interviews and in depth analysis of the context of the setting, that is, Agribank's business environment (Saunders *et al.*, 2012).

**Qualitative research** is an **emergent design** in all its outcomes (Creswell, 2014). Lincoln and Guba (1985) aver that the tradition of this research relies on the use of tacit knowledge since the nuances of multiple realities can best be understood in this manner. Qualitative data cannot be quantifiable in the traditional sense of the world (Creswell, 2014). Mertens (2010) states that qualitative research must be objective and truthful. In a qualitative research study, the researcher must be believable according to the insight, coherence and instrumental utility and trustworthiness through verification as opposed to traditional measures of validity and reliability (Eisner, 1994; Guba, 1990).

### **3.5 GROUNDED THEORY STRATEGY**

The tradition of Grounded Theory research is utilized in this study. Grounded Theory refers to a theory that is developed or grounded inductively from the set of data gathered from the participants at the particular setting (Saunders *et al.*, 2012). According to Suddaby (2006), this type of research design was propounded by Glaser and Strauss (1967) as a response to extreme positivism of that era. Charmaz (2006) states that Glaser and Strauss (1967) believe that grounded theory is based on the premise that, it is a process to analyse, interpret and explain the meanings that social participants construct to make sense of their daily experiences in their specific contexts.

Grounded Theory is used to develop theoretical explanations of social experiences and interactions (Saunders *et al.*, 2012). The **objective** of using **Grounded Theory** is to **generate theory grounded in the data** produced from **the experiences of the participants** (Charmaz, 2006). Strauss and Corbin (1998) aver that Grounded Theory takes on an inductive approach while Saunders *et al.* (2012) think of it as moving between induction and deduction. According to Strauss and Corbin (1998), Grounded Theory follows a three stage coding process of the data, that is, open coding, axial coding and selective coding. Open coding is the process of reorganising data into categories while axial coding is the process of recognising relationships between categories (Saunders *et al.*, 2012). Selective coding is the integration of categories to produce a theory (Saunders *et al.*, 2012). However, this study follows the two stage coding proposed by Charmaz (2006), that is, the initial coding process which is then followed by focussed or pattern coding process to bring to the fore the emerging themes.

### **3.6 THE CROSS SECTIONAL TIME HORIZON**

According to Saunders *et al.* (2012), cross sectional research is the research of a particular phenomenon at a particular time. This cross sectional study gives a 'snapshot' of how the bank's business level strategy affects its performance. This cross sectional study makes use of in depth interviews conducted over a short period of time and secondary data sources such as minutes of management meetings and board of directors meetings for data validation. This research is conducted over a period of eight months.

The **cross sectional research** adopted in this study will not provide the researcher with a chance to examine changes in beliefs, thought processes and attitudes of the participants (management) over time (Lofland, 1974). However, the major advantage of this cross sectional research is that it is not very time consuming and not very costly both in terms of data collection and analysis (Miles *et al.*, 2014).

### **3.7 POPULATION AND SAMPLING TECHNIQUES**

The population considered in this study is the entire staff of Agribank at the time of study. The researcher employs **non probability homogeneous purposive sampling technique** in gathering data from the participants.

### 3.7.1 POPULATION

Levine, Berenson, and Stephan (1999) define the population as the totality of all items under consideration. In this case, the population comprises of all the employees of Agribank.

### 3.7.2 SAMPLING

A sample is defined as the portion of the population that is selected for analysis (Levine *et al.*, 1999). According to Wegner (1993) **purposive sampling** is used by the researcher to select the best sampling participants to include in the sample of this study. Miles and Huberman (1994) emphasize that in purposefully selecting the participants, the researcher takes into consideration the setting, the participants (actors), the events (what the participants are observed doing) and the process. These four aspects are fully explained below under bounding the study section. For an in depth qualitative study, Creswell (2014) recommends a **sample size of three to ten participants** or until saturation is observed if time and costs permit. **Saturation** is defined as the data collection point when gathering new data no longer reveals fresh insights or properties (Charmaz, 2006). Saunders *et al.* (2012) echo that for a **homogeneous purposive sample** consider between **four and twelve** participants for an in depth research. The **researcher purposefully selects twenty** senior managers of the bank in order to fully explore in depth, how Agribank's business level strategy affects its performance through a qualitative Grounded Theory research. The sample is homogeneous in that all the participants are senior managers responsible for strategy crafting and implementation in the bank.

## 3.8 BOUNDING THE STUDY

Miles and Huberman (1994) emphasize that qualitative research is bound by four aspects which are the setting, the participants, the events and the process. These four aspects are fully explained below.

### 3.8.1 THE SETTING

Where the research takes place is referred to as the setting (Creswell, 2014). The setting of this study is Agribank Head Office at Hurudza House in Harare. The organisation employs about 600 people. These employees are stationed at the head office and throughout various branches in Zimbabwe. The organisation has forty eight branches in Zimbabwe and focuses on commercial and retail banking.

### **3.8.2 THE PARTICIPANTS**

The participants are the people (management) who are interviewed as they carry on with their daily activities (Creswell, 2014). The board of directors of the organisation includes non executive directors and executive directors of the organisation. The participants in this study are the executive directors of the bank. The researcher also gathers more data through secondary data sources such as the bank's board meetings' minutes and management meetings' minutes.

### **3.8.3 THE EVENTS**

The events are the activities that the participants are interviewed about (Creswell, 2014). The primary focus of this research is the participants' daily perceptions, daily experiences and the attached meanings of those experiences as enunciated by the participants. This may include new information assimilation, non critical and critical decisions made as managerial issues continually arise.

### **3.8.4 THE PROCESSES**

The evolving nature of the activities or events carried out by the participants within the setting is referred to as the process (Creswell, 2014). Attention particularly is paid to the role of the executive directors in planning (initiating change), organising (decision making and relationship building), providing leadership, vision and control.

## **3.9 SOURCES OF DATA**

Frankel and Wallen (2006) argue that in a qualitative research study, data must be collected in a natural setting of the participants through observation, participation or in depth interviews. Data is collected through verbal or non verbal expressions or pictures of the activities of the participants (Creswell, 2014; Crotty, 1998; Miles *et al.*, 2014). This qualitative study focuses on the holistic descriptions of the participants (bank's management) in their natural setting. The process captures how the participants ( Agribank's management) communicate with each other as they deal with their day to day managerial issues (Miles *et al.*, 2014). The researcher collects primary data through in depth interviews of Agribank's management using written and audio taped data collection protocols. Secondary data is gathered from company documents which include official reports and minutes of management's meetings.

### 3.10 RESEARCH INSTRUMENTS

Lincoln and Guba (1985) point out that the objective of qualitative research is to understand multiple realities. **The researcher is the primary data collection instrument** (Eisner, 1994; Frankel & Wallen, 2006; Lincoln *et al.*, 2011; Merriam, 1998). Marshall and Rossmann (2011) as echoed by Locke *et al.* (2013) stress that the data that comes from a qualitative research is largely descriptive and primarily in the words of the participants. Creswell (2014) states that attention must be paid to the particulars of a context (case) rather than generalizations.

An in depth interview guide was developed by the researcher. **See appendix A.** The in depth interview guide is used to solicit for data from the participants by the researcher and it is developed along the same framework and guidelines as espoused by Nandakumar *et al.* (2010b). All the questions included in the in-depth interview guide are of the researcher's own making. Nandakumar *et al.* (2010b) used the same framework in their work of investigating a similar phenomenon in a manufacturing company in Europe.

### 3.11 SCOPING THE STUDY

The in depth interview guide was then pilot tested on a few of the participants and reviewed twice following their suggestions. The concerns of the participants had to do with questions which they deemed too long and some strategic issues which were not very explicit or not covered at all in the initial drafts. The third draft was then presented to the supervisor who also pointed out areas of further amendments. The supervisor also highlighted some key strategic areas which had to be covered. The final draft was again pilot tested on a few of the participants who expressed satisfaction with it. The interview guide used in this study is presented in **Appendix A.**

### 3.12 ADMINSTERING THE INTERVIEW

The researcher employs the **two data collection procedures**, that is, the **qualitative in depth interviews and qualitative secondary documents**. The use of the two data collection procedures in one way or the other limits the shortcomings of each individual procedure if employed individually. The research data is collected from June 2014 to January 2015.

This also includes at least three hourly recorded in depth interview with at least one of the participants (executive managers) every month at Agribank head office in Harare. See the full in depth interview guide in **Appendix A**. The researcher accesses monthly management's minutes of meetings and board of directors' documents and minutes of meetings. This includes memos, meeting minutes and any other publications of the organisation. Some of the participants agreed to voice recordings of thoughts, feelings and experiences. Three follow up interviews are scheduled for the month end of December 2014 and mid January 2015.

During the phase of data collection, the researcher makes use of the field log book. The log book accounts in detail all the time spent on site, transcription phase and the analysis phase. Throughout the research process, the researcher chronicles in the detail all the observations in the field notebook. The researchers' feelings, thinking, perceptions and experience are also chronicled.

### **3.13 DATA ANALYSIS PROCEDURES**

Data collection and data analysis is a simultaneous process in qualitative research (Marshall & Rossmann, 2011; Merriam, 1998). The classification of persons, things, events and properties which characterize them is termed qualitative data analysis (Schatzman & Strauss, 1973). The data is indexed or coded using as many categories as possible throughout the data analysis process by qualitative researchers (Jacob, 1988). Agar (1980) states that qualitative researchers try to understand patterns and themes by first identifying and describing the patterns and then the themes from the participants' perspectives.

Saunders *et al.* (2012) stress that the data must be organized categorically and chronologically, repeatedly reviewed and coded continually during the whole process of data analysis. Merriam (1998) suggests that the major ideas that emerge from the data analysis are chronicled. Creswell (2014) echoed diary entries and field notes need to be reviewed regularly. The participants' recorded diary and in depth interviews are verbatim transcribed using NVIVO (Miles *et al.*, 2014).

The data analysis process is aided by the use of NVIVO. NVIVO is a qualitative data analysis computer program which facilitates the recording and analysis of textual and graphic data (Miles *et al.*, 2014). The data is held and organized in special stacks (Creswell, 2014). Using NVIVO, the researcher directly enters all the field data which includes researcher's observations, in-depth interviews data, researcher's memos, publications, written documents and code all or part of the source data (Marshall & Rossmann, 2011; Merriam, 1998; Padilla, 1989). According to Padilla (1989), the coded data or the coded chunks of data are retrieved, processed and analyzed in various ways which helps give new interpretations and new meanings. Code names or categories are reviewed from time to time using NVIVO editor (Miles *et al.*, 2014). Text data are processed, searched and analysed to bring to the fore key themes, key categories and key words or phrases, (Creswell, 2014).

### **3.14 VERIFICATION AND DATA CREDIBILITY**

The researcher ensures data validity by triangulation through different data collection methods (Miles *et al.*, 2014). Triangulation is the use of different data collection techniques within one study in order to ensure that data is consistent in meaning (Saunders *et al.*, 2012). Through ongoing dialogue with the participants, continuous cross checking of their perceptions and meanings with regard to the researchers interpretations ensures data truthfulness and validity (Creswell, 2014). Repeated administering of the in depth interview guide to a sample of twenty participants ensures consistency in data collection and data saturation (Miles *et al.*, 2014). The research peer examiner is an experienced doctoral supervisor in the Commerce Department.

Some phases of this research involve the participants' involvement especially in the checking and cross checking of research interpretations, meanings and conclusions (Creswell, 2014). The researcher's role is clearly articulated in the following section to clarify the researcher's bias. Merriam (1998) suggests that external validity is ensured by the provision of thick, rich and detailed descriptions such that anybody who wishes to do transferability does have a very solid framework for comparison. This research uses this primary strategy.

Creswell (2014) posits that the following three techniques are used to ensure reliability in a qualitative study. Firstly, Goetz and LeCompte (1984) emphasize that the researcher must give detailed accounts of the participants' role, basis of participant selection, the researcher's role, the context within and from which data is gathered and finally the focus of the study. Secondly, Merriam (1998) stresses that triangulation in data collection and analysis must be used to strengthen reliability and internal validity. Lastly, Creswell (2014) suggests that data collection and analysis strategies must be reported in detail to give an accurate and clear picture of the methods used in this research. All the phases of this research are carefully scrutinized by an experienced qualitative research methods supervisor.

### **3.15 RESEARCH LIMITATIONS**

Good corporate governance demands that there must be unequivocal separation and delegation of power and accountability between management and the board of directors (Naidoo, 2009). The researcher cannot be personally attached to the participants on a day to day basis due to time constraints and the non executive directorship position of the researcher in the bank. However, the researcher has unfettered access to all the participants and information of the bank and therefore naturally overcomes all these obstacles.

This **research cannot explore all the factors** that affect the bank's performance. The factors that affect the bank's performance are many and varied, however business level strategy is just one of them. Some of the factors are best explored using a quantitative methodological choice. Therefore, this research may be extended to use either the simple or complex mixed methodological choice to fully explore the issues that affect Agribank's performance. However, this is very costly and requires a lot of time to undertake the study.

### **3.16 THE RESEARCHER'S ROLE**

In this qualitative Grounded Theory research, the researcher is the primary data collection instrument and as such personal values, biases, and assumptions must be identified at the beginning of the study (Locke *et al.*, 2013; Miles *et al.*, 2014; Saunders *et al.*, 2012). The researcher's perceptions of senior managerial roles in the banking industry since 1997 have been largely shaped by the researcher's personal experiences.

The researcher served as a senior manager in one of the international banks which at that time was employing over 5000 staff members in Zimbabwe. The researcher was also privileged to serve at very senior managerial roles in several countries on the continent, covering East, Western and Southern Africa. From 2010 to date, the researcher serves as an independent and non executive director of one of the local banks in Zimbabwe. As a member of the board of directors of the local bank, the researcher is involved with all senior managers including the Chief Executive Officer in making top level decisions as an independent and non executive director.

According to Naidoo (2009) an independent and non executive director is a director who is not involved in the day to day running of the organisation and is independent from management on all issues including strategy, sustainability, performance, transformation, resources, employment equity, diversity, standards of conduct and evaluation of performance. The researcher's understanding of the setting, context and roles of the executive directors of the bank in determining business level strategy and subsequently organisational performances enhances the researcher's knowledge, awareness and sensitivities to the challenges they encounter on a daily basis.

All this helps the researcher in working with the participants in this research. The researcher has knowledge of the roles of executive directors and structure of the bank. Fastidious attention is paid to the executive management's role in decision making, initiating change, strategy, provision of vision and leadership and ultimately influencing the bank's performance (Naidoo, 2009).

Certain biases are brought to this study because of the researcher's previous banking experiences of working in the same roles of being an executive director and then an independent and non executive director. The researcher spares no effort in ensuring objectivity, since these biases may determine the researcher's understanding, view of the data collected and also the interpretation of the perceptions and experiences. The researcher begins this research with a perspective that there is a relationship between business level strategy and the performance of the bank. Although expectations are many and varied, the researcher questions how business level strategy affects the performance of the bank.

### **3.17 ETHICAL CONSIDERATIONS**

It is of utmost importance to address ethical issues and considerations in a qualitative research design (Locke *et al.*, 2013; Merriam, 1998; Spradley, 1980). The participants' rights, values, desires, and needs are respected because of the obtrusive nature of Grounded Theory research (Creswell, 2014). Spradley (1980) as echoed by Marshall and Rossmann (2011) argue that Grounded Theory research invades the private life of the participants since highly sensitive and secret information is usually revealed. This is a serious cause of concern in this research given the participants' positions in the institution and that the bank is highly visible.

The safeguards that follow have been instituted to protect the participants' rights, desires and values (Creswell, 2014; Miles *et al.*, 2014; Saunders *et al.*, 2012). Written and verbal research objectives are clearly articulated so that the participants understand them to the point of leaving no shred of doubt (Saunders *et al.*, 2012). The participants are also informed of how the collected data is used (Miles *et al.*, 2014). Verbal permission to carry on with the research has been received from each participant (Creswell, 2014). The participants are informed of all devices and activities used in collecting the data (Saunders *et al.*, 2012). Reports, written interpretations and verbatim transcriptions are availed to the participants (Creswell, 2014; Miles *et al.*, 2014; Saunders *et al.*, 2012).

Saunders, Mann, and Smith (2007) state that the participants' rights, interests and values are firstly considered when choices with regard to data reporting are made. Lastly, the decision with regard to each participant's anonymity rests with him or her (Creswell, 2014).

### **3.18 REPORTING THE FINDINGS**

Lofland (1974) posits that there are diverse ways of reporting the findings in a qualitative study. Data displays are created and narrative text is also shown as a way to display the qualitative data (Miles & Huberman, 1994). **Since it is a naturalistic study, the results of the findings are descriptive and narrative in nature** (Creswell, 2014). The perceptions and experiences of the executive management of the bank can best be holistically communicated by rich thick descriptions.

The final report constructs the participants' perceptions, experiences and the meanings they attach to those experiences and perceptions (Saunders *et al.*, 2012). The readers have a lens through which they can view the participants' world and to vicariously experience the challenges encountered by the researcher (Creswell, 2014; Miles *et al.*, 2014; Saunders *et al.*, 2012).

### **3.19 CHAPTER SUMMARY**

This chapter examined the research constructivism combined with the interpretivism philosophy, inductive approach, mono method qualitative methodological choice and the Grounded Theory research strategy. The cross sectional time horizon was discussed. The population, sample and the sampling techniques were also covered. The issue of binding the study through the setting, participants, the events and the process was discussed. The chapter looked at the sources of data, data collection strategies, data analysis procedures, data credibility and verification. A computer software programme called NVIVO was considered for use in the data analysis and interpretation. The limitations of the research were also discussed. The role of the researcher in the study was extensively covered. Ethical issues encountered in this study were also examined. Finally, the chapter covered how the findings of the research are reported. The next chapter examines framing and analysis of the collected data.

## **CHAPTER 4      FRAMING, DATA ANALYSIS AND DISCUSSIONS**

### **4.1    INTRODUCTION**

This chapter explains the inductive approach used in this research and an overview of the participants. Data framing and analysis is extensively discussed through business level strategies, environmental interpretation, Government policies, organisational structure and organisational performance. Contradictory narratives of the participants are looked at. Considered attention is paid to discussing the key findings through the provision of thick, rich and detailed descriptions and the interpretation of evidence gathered on business level strategy, environment, Government policies, organisational structure and performance.

Additional evidence from Agribank's strategy documents, board and management meetings' minutes are brought in for data validation. Relationships between categories are presented through pattern coding to bring out the emergent themes. Key findings with reference to extant literature are also covered. Relationship to an earlier proposed conceptual framework is examined.

### **4.2    RESEARCH APPROACH**

This research employs an inductive approach as it interprets meaning from the participants' experiences and perceptions. Strauss and Corbin (1998) avers that Grounded Theory takes on an inductive approach while Saunders *et al.* (2012) thinks of it as moving between induction and deduction. This study follows the two stage coding process proposed by Charmaz (2006), that is, the initial coding which is then followed by focussed or pattern coding to bring to the fore the emerging themes.

### **4.3    AN OVERVIEW OF THE PARTICIPANTS**

Description is a qualitative representation that helps the reader to see what you heard and saw at the setting (Wilcott, 1994). Miles and Huberman (1994) posit that describing the participants looks at the relationship dynamics of the participants under study. The participants are the managers of Agribank who are categorised into three groups, that is, the top level management, the middle level management and the low level management.

The top level management comprise of the executive directors of the bank. The middle level managers comprise of the provincial or regional managers of the bank and the low level managers comprise of the branch managers of the bank. The **sample** consists of **twenty (20) participants**, that is, twelve (12) men and eight (8) women in total. All the participants have been with the bank for over five years in their current roles and have banking experience in excess of ten years. Because of ethical considerations no reference shall be made to their sex or particular position. The participants shall be labelled participants P1 up to P20 and are not in any particular order of seniority or otherwise. The in depth interviews were conducted using the in depth interview guide. See **Appendix A**. The participants' verbatim responses or in vivo coding are as shown in **Appendix B**. Pattern coding and emerging themes of the evidence is also shown in **Appendix C**.

#### 4.4 DATA FRAMING, ANALYSIS AND DISCUSSION OF KEY FINDINGS

Miles *et al.* (2014), asserts that labels that assign symbolic meaning to data chunk(s) that are collected during a study are called **CODES**. According to Saldana (2011) a code can be a word or short phrase that ascribes a summative meaning to a portion of language based data or visual data. Codes can be straightforward descriptive word(s) or a metaphor (Saldana, 2011).

The codes that are initially assigned to the data chunk(s) are called **first cycle codes** which then are grouped together to form a **category or categories** (Miles *et al.*, 2014). The example below highlights the data chunk under the in vivo heading and the categories under descriptive inductive coding as high operational costs and low income. See **Appendix B** for more first cycle coding.

#### IN VIVO CODING

##### Q1.

*'The cost structures of the bank are fixed and admittedly high. Given the harsh economic environment, we have to increase our revenue generating streams. The problem is on the income side.'* P8.

#### DESCRIPTIVE INDUCTIVE CODING

**High Operational Costs.**

**Low income.**

The **categories** can then further be **grouped** to form a **theme** or **concept** through **second cycle coding** as shown below (Saunders *et al.*, 2012). The example below shows second cycle coding which summarises all the four descriptive inductive categories to form one theme called hostile environment. See **Appendix C** for more second cycle coding. The researcher realises that there is more in the exploration of the phenomenon than the initial frames of the researcher hence the use of inductive coding. **Inductive coding** emerges during data collection and data analysis (Saunders *et al.*, 2012). The researcher uses **descriptive coding** to summarise data by use of a word or short phrase or alternatively, make use of participants own words through **in vivo coding** (Saldana, 2011). In this study, the first cycle and second cycle coding do use in vivo coding and descriptive coding.

#### **DESCRIPTIVE INDUCTIVE CODING**

High threats of substitute products or services.

Very intense rivalry of competitors.

High threat of new entrants.

Reduced margins and market share.

#### **PATTERN CODING**

**Hostile environment.**

*This study uses first cycle and pattern (second cycle) coding as the following sections show.*

#### **4.4.1 BUSINESS LEVEL STRATEGY FIRST CYCLE CODING**

The business level strategy interpretation is done in this section and the pattern coding is done in the following section. The study makes use of in vivo coding as evidence in order to explore and understand the phenomena through the participants' lived experiences and interpretation. Most participants assert that Agribank does have a business level strategy but they cannot really give it a particular name except to describe it (Participants 2, 6, 13, 17 & 19). How it overall affects the performance of the bank is not fully understood but the participants stress that there is need for the bank to survive (Participants 2, 6, 13, 17 & 19). The following excerpts are in response to what type of business level strategy the bank is implementing. Please note **Q12** represents question 12 response. P19 represents participant number 19. This representation style is used from now on throughout the study.

## IN VIVO CODING

### Q2.

*'The bank cannot be a cost leader because of its high operational costs and low business volumes. We are relooking at the costing of all our business activities with a view to bringing down the total operational costs.'* P2.

### Q4.

*'Our products' pricing is competitive. The bank is in middle of the road pricing position. We also have been implementing cost leadership and differentiation simultaneously though unsuccessfully due to a host of factors.'* P15.

### Q5.

*'It is not about differentiated products. We focus on products already in the market that give quick returns in a space of three to four months so that we are able to redeploy our resources for maximum benefit. It is about survival.'* P6.

### Q5.

*'At the moment the bank is focusing on survival strategies and existing quick earning products.'* P1.

### Q6.

*'We do what it takes to survive. The bank has both the lowly priced products and very highly priced products as well like every other bank.'* P10.

## DESCRIPTIVE INDUCTIVE CODING

**No cost leadership.**

**Middle of the road pricing.**

**Stuck in the middle.**

**No product differentiation.**

**No product differentiation.**

**No product differentiation.**

## IN VIVO CODING

### Q7.

*'The bank is now focussing on high growth areas like mobilising deposits from tobacco farmers who are expected to bring in about \$600 million this year alone. We are constrained by capitalisation to be able to be fashioning out new products.'* P3.

### Q10 & Q11.

*'We price our products to survive and then benchmark against competition. Product pricing is not about low pricing or high pricing. There is huge demand for funding in the market. To us, it is about survival.'* P17.

### Q12 & Q13.

*'Definitely, we do not implement a cheap chic strategy. We are a mass market bank. Issues of quality come last in our pricing matrix. We need to survive as a bank.'* P19.

### Q14.

*'We cherry pick any strategy that suits the moment. But I also confess that it confuses the clients, marketing, IT and retail banking departments as the bank continually shifts positions. For now we have embarked on a survival strategy and nothing else matters.'* P13

## DESCRIPTIVE INDUCTIVE CODING

**Infrequent new products introduction.**

**No integrated strategy.**

**No cheap chic strategy.**

**Cherry picks any strategy.**

**No Segmentation, targeting and product positioning.**

**No coherent strategy**

**Survival strategy.**

Clearly, the participants confirm that the bank does not have a coherent business level strategy (Participants 1, 2, 3, 6, 10, 13, 15, 17 & 19). Any emergent business level strategy that ensures survival is ‘cherry picked’ and implemented by the bank from time to time (Participant 13). From the above excerpts, it is evident that Agribank is stuck in the middle as is shown by the evidence presented above and management cannot pin point this glaring fact (Participants 2, 6, 13, 17 & 19). What the bank needs at the moment are strategies to move it from being stuck in the middle towards low cost leadership to best serve the mass market or value innovation as it pursues blue ocean strategy as some of the participants wish for (Participant 19).

#### 4.4.2 BUSINESS LEVEL STRATEGY PATTERN (SECOND CYCLE) CODING

**Second cycle codes** or **pattern codes** are inferential or explanatory codes and they identify an emergent theme or explanation (Miles *et al.*, 2014). Using second cycle coding for higher abstraction, the following themes emerge from the data.

**See also Appendix C.**

##### DESCRIPTIVE INDUCTIVE CODING

No cost leadership strategy.  
 No product differentiation strategy.  
 No integrated strategy.  
 No cheap chic strategy.  
 Middle of the road pricing.  
 Stuck in the middle.  
 No targeting and positioning of products.

##### PATTERN CODING

**No coherent business level strategy.**  
**Emergent business level strategy.**  
  
**Stuck in the middle.**

The bank is neither segmenting its market nor targeting and positioning its products for a particular market segment. This lack of specific marketing and information technology (IT) strategies is contributing to poor organisational performance through a **misalignment between functional strategies and the business level strategy**. **The participants cannot really understand the coherent business level strategy the bank is implementing. The participants are not realising that strategies emerge even if they are not guided by their intentions.**

**At this juncture, the bank is implementing any emergent strategy which is becoming their realised strategy and they are calling it survival strategy.**

The worst part is that no participant is neither able to grasp the whole picture of the strategy nor is able to have clear answers about where the bank is heading to from the onset

Triangulation in data collection and analysis is used in this research to strengthen reliability and internal validity. Agribank's strategy document of 2013 to 2018 stress survival strategy in a difficult operating environment but does not spell out a specific business level strategy to implement in order to survive. The following excerpt reveals.

*'Agribank's five year strategy is anchored on funding agriculture development for recovery and growth as espoused under Zimasset. The bank is focused on implementing survival strategies during this difficult period. This strategic document is premised on the availability of adequate funding for agriculture and capitalisation from the Government.'* **Agribank Strategy Document.**

The document is silent on the coherent business level strategy to be implemented for survival during this period. The document too does not articulate how the bank will deal with the various threats from the environment. The following excerpts demonstrate how management is 'muddling' through for survival.

*'The bank is low cost in some areas and in others it is not the highest in terms of pricing either. Maybe, the bank is following an integrated strategy, it is not clear.'* **Committee Meeting Minutes.**

*'Since the bank funds farmers, it is the wish of the board for the bank's products to be the cheapest. It is not the case at the moment because the cost of funds is very high.'* **Board Minutes.**

*'The bank is doing what it takes to survive and not worry about strategies. A question was posed as to what strategies the bank must implement in this harsh economic environment? A committee member stressed about forgetting strategies and worry about the survival of the bank.'* **Committee Meeting Minutes.**

This clearly demonstrates that the bank has no coherent business level strategy that it is implementing at the moment. Participants are mainly concerned about survival.

#### 4.4.3 ENVIRONMENTAL FIRST CYCLE CODING

The environmental interpretation is done in this section and the pattern coding is done in the following section. The **environment** in which the bank is operating is both **dynamic and hostile**. The extant literature defines **dynamism** as the rate of change of innovation in the industry and the unpredictability of the actions of competitors and customers (Nandakumar *et al.*, 2010a). Miller (1987) defines **hostility** as the degree of threat faced by the organisation as a result of competition intensity and upswings and downswings of the organisation's industry. **See Appendix B.**

#### IN VIVO CODING

##### Q15

*'The banking systems have been changing every year or so. Now they are changing every six months if not less. We have seen the Bankmaster, then Globus now there is T24 with new monthly or bi-monthly updates of its previous versions. As I speak, we now use version 24 for a system we implemented barely two years ago.'*

*P12.*

#### DESCRIPTIVE INDUCTIVE CODING

**Rapid technological changes.**

## IN VIVO CODING

### Q16

*'New products are being introduced daily. There is Ecocash, Telecash, Textacash and others from these mobile phone operators. There are products like Ecosave and bill payments. These products are eating into our market share and drastically reducing our margins.'* P14.

### Q17 & Q18

*'Competitors are emerging from every angle. It is not about our traditional competitors anymore. It's about everyone. Mobile operators, microfinance companies and insurance companies. You tell me who is left out? Of course, we are very worried. They want to bury us alive. Imagine!'* P13.

### Q19

*'The convergence of financial services is killing the banks. I do not like it. All those competitors are not regulated by RBZ like us the banks. They are encroaching into our space. Where shall we go?'* P3.

## DESCRIPTIVE INDUCTIVE CODING

**Daily new products introductions.**

**High threat of substitute products or services.**

**Reduced market share and margins.**

**Very intense rivalry of competitors.**

**High threat of new entrants.**

**Lack of innovation.**

**Lack of leveraging on the convergence.**

## IN VIVO CODING

### Q19

*'We have to become "partners in crime". We have to try and form strategic alliances with the competitors. For example, we are now business partners with ZESA and Zinara. As long as we get our share of the convergence, we are not worried.'* P9.

### Q20

*'At the moment, we would like to merge with cash rich institutions like RMI, Zinara and NSSA so that they can adequately capitalise the bank.'* P5

### Q21

*'Agribank reacts to its environment according to its resources. At the moment we are seriously under-capitalised therefore we cannot do much. We only react to preserve ourselves. You know, ensure our survival.'* P7

### Q21

*'The bank can neither deal with the threats coming from the environment nor can it exploit opportunities coming its way. We get hit from all directions because of inadequate capitalisation. We cannot do much.'* P10

## DESCRIPTIVE INDUCTIVE CODING

**Strategic alliances.**

**Profit sharing is good.**

**Wish to merge with cash cows.**

**Resource based view.**

**Reactor. Reacts when absolutely forced to do so.**

**Sitting Duck.**

The environment in which Agribank is operating is characterised by rapid technological changes, massive new products' introductions and lots of innovation by competitors (Participant P12). Participant P14 believes there is intense rivalry of competitors, high threat of substitute products and services and high threat from new entrances in the banking industry. This has resulted in Agribank suffering from reduced margins, low business volumes and losing some of its market share (Participants 13 & 14). The intense rivalry of competitors, high threat of new entrants and also high threat of substitute products are forces which are negatively impacting on Agribank's performance (Participants 13 & 14). Due to persistent losses, Agribank has eroded its capital base to very low levels and as such cannot underwrite meaningful business volumes (Participant P13).

Participant P9 advocates for strategic alliances with competitors to mitigate the forces emanating from the external environment and ensure survival of the bank. This is now forcing the bank to look for cash rich strategic partners to adequately capitalise the bank (Participant P9). Participant P5 believes that if the going gets tough, it is high time to merge with cash cow institutions in the financial industry for the bank to be adequately capitalised and exploit synergies of the two merged companies to fight off the stiff competition that characterise the industry. Participants P7 and P10 state that Agribank has no capacity to react to threats coming the external environment because it is under resourced at the moment.

#### **4.4.4 ENVIRONMENTAL PATTERN (SECOND CYCLE) CODING**

From the environmental interpretation as shown above the analysis is shown below and in **Appendix C**. Agribank is operating in a very **dynamic and hostile environment**. The bank only reacts to its environment when absolutely forced to do so in order to self preserve. Such an organisation is characterised as a reactor by Miles and Snow typology. **Reactors** are organisations without a coherent strategy and only react when they are forced by environmental pressures (Miles & Snow, 1978).

## DESCRIPTIVE INDUCTIVE CODING

Rapid technological changes.  
New products' introductions daily.  
Reduced margins and market share.

Very intense rivalry of competitors.  
High threat of new entrants.  
High threats of substitute products or services.

Reacts to environment only when forced to do so.  
Sitting duck.

Resource based view.  
Form strategic alliances with competitors.  
Wish to merge with cash cows.  
Lack of innovation.

## PATTERN CODING

**Dynamic environment.**

**Hostile environment.**

**Reactor.**

**Agribank is undercapitalised and under-resourced to compete in the red oceans.**

Agribank is a sitting duck since it can neither exploit opportunities in the environment nor defend itself from external threats due to under-capitalisation. Agribank only reacts to its environment when absolutely forced to do so in order to self preserve. Agribank is not leveraging on the convergence of financial services due to lack of innovation and capitalisation resulting in dwindling profitability for the bank over the years.

#### 4.4.5 GOVERNMENT POLICIES FIRST CYCLE CODING

Government policies interpretation is covered in this section and the pattern coding is done in the next section. The following aspects relate to the effects of Government policies on Agribank's performance over the years. See Appendix B. The evidence of the impact of the Government policies is presented here under as in vivo text to fully convey the meaning as interpreted and understood by the participants.

##### IN VIVO CODING

###### Q22

*'Land reform destroyed corporate agriculture. It was the corporates that drove our agro based economy before the land reform. It was easy for the bank to mobilise lines of credit for those corporate because they were credit worthy.'* P1.

###### Q22

*'The business models of the former famers were internationally biased. Zimbabwe used to export most of its agricultural products before the advent of the land reform and the subsequent sanctions.'* P4.

###### Q22

*'Land reform brought sanctions on the bank. We cannot transact internationally and let alone mobilise external lines of credit.'* P9.

##### DESCRIPTIVE INDUCTIVE CODING

**Corporate agriculture destroyed.**

**Export business models stopped.**

**Sanctions on the bank.**

## IN VIVO CODING

### Q22

*'Land reform brought more business to the bank as numerous farmers opened accounts with us to access the concessionary Government funding. However, the biggest challenge is that they do not pay back their loans. Most of them are bad debtors, I tell you. The majority of our NPLs are for farmers. Land reform helped establish Agribank. The Government wanted a bank which would whole heartedly support the agrarian reform.'* P2.

### Q22

*'We are under sanctions as a bank as a result of the land reform. The bank is on the OFAC list under ZIDERA. Those sanctions on Zimbabwe from the USA are directly affecting the bank.'* P13.

### Q23

*'The indigenisation policy has resulted in numerous local businesses. For us, it is good because more businesses means more accounts for the bank hence more revenue.'* P19.

## DESCRIPTIVE INDUCTIVE CODING

**More business.**

**Farmers are bad debtors.**

**NPLs.**

**Land reform helped establish Agribank.**

**Sanctions on the bank.**

**Indigenisation policy favourable.**

**More business for the bank.**

## IN VIVO CODING

### Q24

*'Concessionary funding from Government will not come any time soon. The Government is cash strapped at the moment. However, farmers need concessionary long term funds for agriculture to fully recover. It is a catch twenty two situation.'* P16.

### Q25

*'If we get funding from Government for agriculture, it will mean more business for us. The challenge is that most farmers are reluctant to pay back funds coming Government because they deem the funds to be free money.'* P6.

### Q25

*'Going forward, we will change our lending strategy and only lend to the good farmers. That will also help us deal with potential non performing loans.'* P15.

## DESCRIPTIVE INDUCTIVE CODING

**No concessionary funding.**

**Need for concessionary funds.**

**Government broke.**

**No repayment of Government funds.**

**Government funds considered free funds.**

**Change in lending strategy.**

Some participants P9 and P13 believe that the Government policy of land reform brought sanctions onto the bank hence it is constrained in its dealings internationally. The bank cannot mobilise funds from the international markets because of sanctions. The success of Agribank to trade internationally was short lived as the bank was placed under sanctions which greatly hamper its ability to mobilise more funds and transact internationally (Participants P9 & P13).

However, other participants P2 and P19 stress that the Government's agrarian reform and the indigenisation policies helped in the establishment of Agribank and brought more business to the bank. Hence Government's policies positively affect the bank's performance (Participant P2 & P19). Land reform and indigenisation policies bring more business to the bank as more locals opened bank accounts with Agribank (Participant P2 & P19). Some of the participants P1 and P4 bemoan the destruction of corporate agriculture and the subsequent cessation of the agricultural export business, factors which are forcing the bank to change its business model.

According to participant P16 since the Government is cash strapped at the moment, agriculture concessionary funds are not coming anytime soon. Resultantly, agriculture will not fully recover in the short to medium term (Participants P16). Agribank is changing its lending strategy to mitigate the future occurrence of non-performing loans which resulted from non repayment of Government funds by farmers (Participant P6 & P15). The new client demographics of farmers and indigenous business people are resulting in high numbers of non-performing loans for the bank (Participant P6 & P15).

#### 4.4.6 GOVERNMENT POLICIES PATTERN (SECOND CYCLE) CODING

Through second cycle coding the interpretation of the data is as shown in **Appendix C**, the emerging themes are that Government policies negatively affects the performance of the bank as is inductively derived.

##### DESCRIPTIVE INDUCTIVE CODING

Corporate Agriculture destroyed.  
 Export business models no more.  
 Sanctions on the bank.  
 Non repayment of Government funds.  
 Farmers are bad debtors.  
 High NPLs.  
 Government funds considered free funds.  
 Government broke.

##### PATTERN CODING

**Government policies negatively affect Agribank's performance.**

On the other hand, the very same Government policies positively contributed to Agribank's performance as well.

#### **DESCRIPTIVE INDUCTIVE CODING**

Land reform helped to establish Agribank.

Land reform generated more business for Agribank.

Indigenisation policy generated more for business for Agribank.

Indigenisation policy favourable.

Concessionary funding increased business for Agribank.

Need for concessionary funding.

#### **PATTERN CODING**

**Government policies positively affect Agribank's performance.**

The bank needs to take advantage of the positive contributions of Government policies and mitigates against the negative effects of the same or other policies.

#### **4.4.7 ORGANISATIONAL STRUCTURE FIRST CYCLE CODING**

The organisational structure is interpreted in this section and the pattern coding is done in the following section. The following aspects relate to Agribank's structure at the time of the study. See Appendix B. Agribank has a mechanistic structure that is very bureaucratic in nature and results in poor organisational performance (Participants P8, P11, P12 & P14). Some of the participants feel oppressed as their voices are not heard as they strictly follow the chain of command (Participants P11, P12 & P14).

## IN VIVO CODING

### Q26

*'There is a chief executive at the top followed by divisional directors then several managers and more staff right to the guys on the shop floor. It's a mechanistic thing, you know.'* P8.

### Q26

*'It is very rigid and one directional, but so far so good. The structure is very bureaucratic. The conduct of the bank is due to its structure hence the losses.'* P11.

### Q27

*'Optimum structure? It is not flexible. You are not heard by anyone except your superior. What if I have issues with my superior?'* P20.

### Q27

*'Of course not. It stifles innovation. Your immediate boss does not want a subordinate to outshine him or her. You will be quickly whipped into line. Innovation is killed that way.'* P17.

### Q28

*'It's like in the army. You follow your chain of command. Instructions only come from the top and never the other way round.'* P14.

## DESCRIPTIVE INDUCTIVE CODING

**Mechanistic structure.**

**Bureaucratic.**

**Structure, Conduct and Performance issues.**

**Inflexible structure.**

**Voice of subordinate not heard.**

**Stifles Innovation.**

**Kills innovation**

**Follow chain of command.**

## IN VIVO CODING

### Q28

*'Orders only come from the top. Water does not flow uphill, isn't it?' P12.*

### Q29

*'Personally, I will be happy with a flexible structure that meets the demands of the business and the environment. I wish ideas could flow to any place and to anyone in this bank.'*  
P18.

### Q29

*'I want to communicate with anyone in the bank especially when a bolt of innovation hits me. My boss will not understand. Remember, there is organisational politics at play all the time.'* P9.

## DESCRIPTIVE INDUCTIVE CODING

**Orders go one way.**

**Happy with a flexible structure.**

**Wishes for an organic structure.**

**Organic structure to encourage innovation.**

With all the orders or instructions coming from top management, the participants think it is stifling innovation and it is not an optimum structure. Innovation is now a preserve of top management (Participants P17 & P20). The participants will be happy with a flexible organic structure that encourages innovation and meets the demands of the business and the environment (Participants P9 & P18).

#### 4.4.8 ORGANISATIONAL STRUCTURE PATTERN (SECOND CYCLE) CODING

The researcher inductively highlights what the process coding brings to the fore as key themes in Agribank's structure analysis. See **Appendix C**. The bank's current mechanistic structure is not suitable for the harsh economic environment it is operating under. The participants state that the conduct of the bank is due to its mechanistic structure and hence the poor organisational performance. This confirms earlier works by Wilkinson (2005) that the structure of the organisation determines the conduct and subsequently its performance. **Conduct** is the strategic behaviour of the organisation in terms of its products' or services' pricing, differentiation, marketing and output (Wilkinson, 2005).

##### DESCRIPTIVE INDUCTIVE CODING

Mechanistic structure.

Bureaucratic.

Structure, Conduct and Performance issues.

Inflexible structure.

Follow chain of command.

Orders go one way.

Stifles innovation.

Voice of subordinate not heard.

Wish for organic structure.

Happy with flexible structure that encourages innovation.

##### PATTERN CODING

**Mechanistic structure**

**Not suitable for the current environment.**

**Conduct of bank due to its structure leading to poor organisational performance.**

**Stifles Innovation.**

**Oppression of subordinates.**

**Need for flexible organic structure.**

The participants are determined that the bank will survive as they implement their survival strategies (Participants P6, P7 & P14). The participants believe that the bank's structure is aligned to strategy and this ensures that the bank continues to survive. The participants state that they follow Governments strategies.

Urgent decisions that have a serious material impact on the performance of the bank take unnecessarily long time to be made. The participants feel that the bank needs to adopt a flexible organic structure that enables it to be innovative and deal with the challenges emanating from the current dynamic and hostile environment despite the fact that some other participants feel that a mechanistic structure as a prescription from the shareholders is still good for the bank.

#### **4.4.9 ORGANISATIONAL PERFORMANCE FIRST CYCLE CODING**

This section deals with the organisational performance interpretation and the following section analyses (pattern codes) the same. The following aspects relate to an extent to which Agribank has been successful in achieving each of the following objectives in the last five years. **See Appendix B.**

#### **OBJECTIVE FULFILMENT**

The bank is supporting farmers through expensive products such as micro finance, small and medium enterprises (SMEs) funding in fulfilling the bank’s mandate. The bank is focusing on farmer niche markets such as small scale tobacco and sugar cane farmers (Participants P2 & P18).

#### **IN VIVO CODING**

##### **Q30.**

*‘We are still supporting farmers and we will still support farmers but now through micro finance and SME lending. These are expensive products for farmers. We have to fulfil this mandate since it is the sole reason for our continued existence otherwise the Government would have closed this bank a long time ago.’ P18.*

#### **DESCRIPTIVE INDUCTIVE CODING**

**Supports farmer through expensive products.**

**Mandate fulfilment is sole reason for continued existence.**

## **IN VIVO CODING**

### **Q30**

*'Due to capitalisation constraints, we have not adequately supported the farmers over the last few years. We do not have a blanket presence in agriculture. We now focus on certain niche markets like small scale tobacco and sugarcane farmers for example.'*  
P2.

### **Q31**

*'We have huge NPLs that are locking up most our liquidity. The level of our NPLs is very high.'* P19.

### **Q32**

*'We have adopted a programme of how to deal with the NPLs. Some will go the legal route, some through schemes of arrangement and some through ZAMCO.'* P3.

### **Q32**

*'We are tightening the lending criteria. No refinancing unless the clients first clear their old debts.'* P16.

### **Q33**

*'Our high level of NPLs is not due to bad lending policy but it is due to the harsh economic environment and erratic rainfall.'* P4.

## **DESCRIPTIVE INDUCTIVE CODING**

**Focus on niche farmer markets.**

**Huge NPLs.**

**Plan to deal with NPLs.**

**Tightening Lending criteria.**

**High NPLs due harsh economic environment and erratic rainfall.**

## IN VIVO CODING

### RELEVANT COMPETITIVE PERFORMANCE

#### **Q34**

*'The bank has been making losses but not as much as those of other banks with huge capital bases. Even when you compare their level of profitability with us given their huge capital bases, we are not doing very badly, either.'*

*P17.*

#### **Q34**

*'The bank must implement a blue ocean strategy and must not compete neck to neck with others at a time when it is seriously undercapitalised.'* P19.

#### **Q34**

*'It is not anywhere in all the statutes that we fulfil our mandate at a financial loss to the shareholders. The losses are due to the harsh economic environment and under-capitalisation of the bank.'* P1.

## DESCRIPTIVE INDUCTIVE CODING

**Losses are not huge.**

**Implement a blue ocean strategy.**

**Not lawful to erode capital base while fulfilling the bank's mandate.**

## IN VIVO CODING

### Q35

*'It is a question of perception. We are mainly associated with farmers but we are a commercial bank. The Reserve bank ranks us last on the list in terms of capitalisation but we are good in some areas.'* P5.

### Q36

*'Yes there is alignment. That is the reason why we have adopted short term survival strategies that will ensure that we will be there tomorrow.'* P14

### Q37

*'I think our structure is aligned to the strategy. Our structure is perfect and our strategies will ensure that we survive. Remember, we follow the Government's strategies.'* P6.

### Q38

*'The bank will not be closed but we just need to survive in the short term. Good times lie ahead.'* P7.

## DESCRIPTIVE INDUCTIVE CODING

**Very low market rating.**

**Determined to survive.**

**Thinks structure is aligned to strategy.**

**Follow Government strategies.**

**Believes bank will continue to exist.**

### **NON PERFORMING LOANS**

The bank has huge non performing loans (NPLs) and is taking stern measures to deal with them (Participants P3 & P19). The bank will recover some of the money through courts, schemes of arrangements and selling some of the debts to the Reserve Bank of Zimbabwe through ZAMCO (Participants P3 & P19). However, another participant believes that the high level of non-performing loans is due to the harsh economic environment, erratic rainfall which adversely affects farmers' yields, their income and not at all due to a poor credit policy (Participant P4). The bank is also tightening its lending criteria to mitigate the future recurrence of non-performing loans (Participant P16).

### **RELEVANT COMPETITIVE PERFORMANCE**

The participants believe that the persistent losses being posted by the bank are not as huge as the competitors. The participants believe the bank's profitability is better than competition with huge capital bases despite Agribank's persistent losses (Participant P17). According to the participants, the bank's very low market position relative to competition is an issue of perception. Participants believe the bank is better in some areas and does not come last in all respects (Participant P5).

#### **4.4.10 PERFORMANCE PATTERN (SECOND CYCLE) CODING**

The study explores performance analysis as shown in **Appendix C**. The participants point out that mandate fulfilment is the main reason for the establishment and continued existence of Agribank. If the participants are to craft and implement any business level strategy, it must achieve the objective of mandate fulfilment as the primary performance measure. Other performance measures such as non performing loans and profitability are peripheral to the concerns of the shareholders. This gives us a new insight to the earlier proposed conceptual framework.

## DESCRIPTIVE INDUCTIVE CODING

Mandate fulfilment is sole reason for continued existence.

Focus on niche farmer markets.

Support farmers through expensive products.

Implement a blue ocean strategy.

Follow Government strategies.

Losses are not huge.

Huge NPLs.

Tightening lending criteria.

High NPLs due harsh economic environment.

Very low market rating.

Not lawful to erode capital base while fulfilling the bank's mandate.

## PATTERN CODING

**Mandate fulfilment is sole reason for continued existence.**

**Implement a blue ocean strategy.**

**Believes bank is following Government strategies.**

**Management cannot accept reality.**

**Bank failing to adapt to changing environment.**

**Strategic myopia.**

**Must fulfil the bank's mandate profitably.**

**Tangible measures of performance such as profitability that matter to the shareholders and other stakeholders as extant literature by (Maria et al., 2010; Nandakumar et al., 2010a; Oltra & Luisa Flor, 2010) advocates for, are not important. Government as shareholders earn their dividends by supporting agriculture and ensuring national food security at household level without looking forward to a tangible financial return.** This is the major finding of this research. This is contrary to the statutes that govern the bank which clearly state that Agribank's management must preserve shareholders' value. Moreover, it is not in the statutes that the bank must fulfil its mandate at a financial loss to the shareholders as alluded to by the participants.

Palubinskas and Stough (1999) agree that bank failure is as a result of mismanagement and a **poor functional and business level strategies** which give rise to a high level of NPLs. The participants are not accepting the facts that the bank is financially haemorrhaging and has huge non performing loans due to a bad strategy, bad lending tradition and poor credit controls as propounded by Goodhart et al. (1998). The participants believe the bank is following Government strategies but they cannot say which particular ones. The bank is failing to adapt to an ever changing environment and the participants **do not** believe that it comes last on market position rankings as assessed by the Reserve Bank of Zimbabwe. The participants are suffering from **strategic myopia** as they reject unfamiliar and negative information about the bank.

From the narratives of the participants, the **strategic focus** of Agribank is to retain existing market share of about 2% and to seek further segmentation opportunities through niche marketing since the bank is under competitive pressure as alluded to by the participants. The bank is stuck within a red ocean environment. The participants insist on survival strategies. Agribank must pursue the **Blue Ocean** strategy as advocated for by some of the participants by introducing value innovated products that impact on the bank's business model and contributes to its bottom line. The bank's management must free the bank from neck to neck competition in this red ocean environment and focus on the mass market as wished for by most of the participants. The bank must avoid the trap of falling into competitive benchmarking and niche marketing in this current cut throat and bloody red ocean environment. The bank instead must aim to create its new market space through a blue ocean strategy that makes use of breakthrough value innovation for its clients.

#### **4.5 CONTRADICTIONARY NARRATIVES**

Some participants state that Government policies of land reform and indigenisation positively affect the performance of the bank through the generation of more business and hence more revenue (Participants P2 & P19). On the contrary, other participants believe the some of the Government policies negatively affect the bank's performance through sanctions (Participants P9 & P13).

Within the rank and file of Agribank, there are some dissenting voices that have realised that the bank is heading nowhere without implementing a particular business level strategy (Participants P2, P8, P10, P17 & P19). However, these voices are drowned by the more powerful who want to maintain the status quo (Participants P11 & P18). Other participants allude to the fact that the mechanistic structure of the bank does not work anymore in this current dynamic and hostile environment but other participants want to maintain it since it is a prescription from the shareholders (Participants P8, P11, P18 & P20). Some participants also are aware that the bank does not have a business level strategy but are afraid to speak out since all the communication follows protocol and is likely to be misunderstood by the time the information gets to the top (Participants P2, P7, P13 & P14).

Other participants were bold to state that the bank needs a total revamp of its strategy and structure for better organisational performance (Participants P1, P5, P12 & P15). The major dilemma the participants are in, is that some participants believe the bank is implementing both cost leadership and differentiation though unsuccessfully (Participants P1, P4, P10 & P19). This highlights an organisation which is stuck in the middle. While other participants assume that the bank is implementing any emergent strategy to survive and fulfil its mandate (Participants P6, P13, P17 & P19). There are other participants who are frustrated by the lack of innovation and inability to timeously react to changes in the environment despite the participants raising alarms and their incessant appeals (Participants P3, P7, P9, P18 & P19).

Despite the participants insisting on mandate fulfilment as the sole reason for the bank's existence, there are also some participants who are well aware that the bank is eroding shareholders' value. Eroding shareholder's value is against the statutes that govern the existence and the operations of the bank. However, the majority of the lived experiences and interpretations to those perceptions are as shown through the evidence presented in **Appendix B and C**. In the final analysis, it is the final decision makers who call the shots hence the organisation is **stuck in the middle**. It is stuck in the middle because the participants believe that they are simultaneously implementing cost leadership and differentiation strategies (Participants P1, P2, P3, P4, P6, P10, P13, P15, P17 & P19).

#### 4.6 RELATIONSHIP TO CONCEPTUAL FRAMEWORK

The findings show that business level strategy as moderated by the environment affects organisational performance as is posited by Nandakumar et al. (2010a). Extant literature does not explore that in the **absence** of an **intended business level strategy** which may be deliberately implemented, an **emergent business level strategy arises** even if it is **not guided by the intentions** of the **managers**. This is the case with Agribank, where none of the participants are neither able to grasp the entire picture nor have clear answers from the onset as to where the bank is heading as it moves from pillar to post in an effort to survive.

Land reform as an external environmental factor played a pivotal role in the transformation of Agribank into a fully fledged commercial bank with a mandate to fund agriculture in Zimbabwe. This is included for the first time in the conceptual framework as an environmental factor. The study also proves that both the organisational structure and environment greatly affect organisational performance as asserted by Nandakumar *et al.* (2010a). The research supports the work by Nandakumar *et al.* (2010b) that an organisation operating in a dynamic and hostile environment must have an organic structure or else it is doomed to fail with a mechanistic structure. The participants are advocating for an organic structure having realised poor organisational performance. Agribank suffers incessant losses because its **structure and strategy does not fit the environment** as alluded to by the participants. This is in agreement with (Mintzberg (1979)) who posits that the performance of an organisation is largely dependent on the environment-strategy fit. **Reactors** are organisations without a coherent strategy and only react when they are forced by environmental pressures (Miles & Snow, 1978). Agribank is a **reactor** and supports the work by Miles and Snow (1978).

From higher order abstraction, state enterprises such as Agribank although set up as 'for profit making' business entities pursue mandate fulfilment at the expense of maximising shareholders' wealth or preserving shareholders' value and ultimately risk running the organisation into extinction. The continuous financial haemorrhaging of Agribank is pointing to a lack of business level strategy which supports mandate fulfilment among other factors which have not been explored in this research due to time constraints.

#### **4.7 CONCLUSION**

This chapter presented an overview of the participants. Framing and data analysis were extensively discussed covering business level strategies, environmental interpretation, Government policies, organisational structure and organisational performance. Contradictory narratives were looked at. Considered attention was paid to discussing the key findings through the interpretation (first cycle coding) and analysis (second cycle or pattern coding) of evidence presented on business level strategy, environment, Government policies, organisational structure and performance.

Additional evidence from Agribank's strategy documents and board meeting minutes was brought in for data validation. Relationships between categories were presented through pattern coding to bring out the emergent themes. Key findings with reference to extant literature were also covered. Relationship to an earlier proposed conceptual framework was examined. The next Chapter 5 discusses recommendations and areas of further research.

## CHAPTER 5 CONCLUSION, RECOMMENDATIONS, AND AREAS OF FURTHER RESEARCH

### 5.1 INTRODUCTION

This chapter discusses the conclusion drawn from this study. Discussions of the research objectives and the research proposition are done. Theoretical contributions of the study are stated. Policy and managerial recommendations are put forward. Research limitations are outlined. Finally, the areas of further research are pointed out.

### 5.2 CONCLUSION

The bank's mandate is to provide sustainable Agricultural Development Finance and banking services to contribute to the country's attainment of economic growth, development and prosperity, in partnership with public and private sectors. Mandate fulfilment is an existential performance measure for a state owned institution such as Agribank. This mandate may also burden Agribank as it is expected to compete in the commercial banking market space with all the other banks. This mandate cannot be fulfilled at the moment by Agribank due to lack of financial resources.

According to the participants, other performance measures such as profitability are peripheral to the concerns of the shareholders of Agribank. **However, there is nowhere in the statutes where it is stated that Agribank must fulfil its mandate at a financial loss to the shareholders.** The shareholders are cash strapped at the moment and are unable to inject any money into Agribank. According to the evidence presented by the participants, the bank implements Government strategies and any emergent business level strategy that helps it in mandate fulfilment but this is not sustainable in the medium to long run. In fact, this is not also sustainable now as the bank continues to perform poorly year in, year out as alluded to by the participants.

Agribank has no clear strategic vision but functional strategic silos. Agribank's lack of a coherent business level strategy throws its functional level strategies into disarray leading to poor organisational performance. Incoherent **functional strategies** keep everyone busy but collectively do not complement the **business level strategy** hence the poor organisational performance by Agribank.

The bank's functional level strategies are not complimenting the **emergent business level strategy** resulting in perennial financial losses. The conduct of the bank is due to its mechanistic structure resulting in poor organisational performance as confirmed by the participants in their own words. There is no alignment between Agribank's structure, business level strategy and the environment.

### **5.3 DISCUSSION OF OBJECTIVES**

The research objectives are again presented hereunder for discussion.

**5.3.1** To examine mandate fulfilment as a factor of organisational performance measurement for a state owned entity. This is objective 1.4.1 as earlier stated.

Mandate fulfilment has not been investigated as a measure of performance in Agribank in Zimbabwe. However, the participants state that it is the sole reason for the establishment and continued existence of Agribank. According to the participants, other measures of organisational performance such as profitability are not as important to the shareholders. The evidence presented in this study, leads to a change in the earlier proposed conceptual framework.

**5.3.2** To explore how Agribank's business level strategy affects its performance. This is objective 1.4.2 as earlier stated.

This objective has been extensively explored and evidence presented from the data gathered from the participants' lived experiences. According to the participants, the bank implements any emergent business level strategy that helps it fulfil its mandate. The study concludes that Agribank's **lack** of a coherent business level strategy negatively affects its performance.

**5.3.3** To help the bank's staff to fully understand and appreciate the importance of business level strategy and its effects on organisational performance. This is objective 1.4.3 as earlier stated.

The participants in this study are the managers of the bank. Other employees of the bank are not participants. However, the study is done in an effort to contribute to better organisational performance which is in the best interests of all the employees and stakeholders of the bank. Hence, the employees of the bank are expected to make good use of the findings and recommendations in this study. Moreover, the non executive directors and the shareholders (Government) are not participants in this study. This research is done in their best interests too and these stakeholders are also expected to make use of the findings and recommendations of this study. This study is freely available to all of the above mentioned stakeholders of the bank.

#### **5.4 DISCUSSION OF PROPOSITION**

The research proposition 1.6 states that Agribank's business level strategy has been negatively affecting its organisational performance due to poor strategy content and poor strategy implementation. The evidence presented by the participants point to a lack of a coherent business level strategy in Agribank. The bank has functional level strategic silos which are not complementing its business level strategy or lack of it. Agribank has no clear strategic focus. The discussions in Chapter 4 of the evidence presented points to this fact. It is imperative for Agribank's management to craft and implement a business level strategy that ensures better organisational performance through reasonable profitability while fulfilling the bank's mandate.

#### **5.5 THEORETICAL CONTRIBUTION**

Using a sample of twenty in depth interviews with the participants, the research develops a grounded theory inter-relating the categories of the effects of business level strategy on Agribank's performance. **The key contribution of this research to existing literature is to provide evidence that for a state owned enterprise (SOE) such as Agribank, mandate fulfilment is of utmost importance than any other measures of organisational performance.** Hence the bank is assured of continued existence for as long as it is fulfilling its mandate despite the losses.

**It is not always about tangible measures of performance such as profitability that matter to the shareholders and other stakeholders as extant literature** by (Maria *et al.*, 2010; Nandakumar *et al.*, 2010a; Oltra & Luisa Flor, 2010) **advocate for**. There are **other ways of earning dividends by shareholders such as supporting agriculture and ensuring national food security at household level without looking forward to a tangible financial return**. This is the major finding of this research and hence the contribution to literature.

Mandate fulfilment is the objective for setting up and perpetuating the existence of state owned enterprises like Agribank by the shareholders, that is Government. State owned enterprises (SOEs) like Agribank do not follow any coherent business level strategy but follow Government strategies and any emergent business level strategy as long as it helps the bank to fulfil its mandate of funding agriculture in Zimbabwe. Land reform helped establish Agribank as a commercial bank as from the year 2000 with the sole mandate of supporting the agrarian reform. The earlier proposed conceptual framework which includes organisational performance measures such as objective fulfilment, relative competitive performance, return on assets (ROA), return on sales (ROS) and the level of non-performing loans (NPLs) is subsequently discarded and a new distinctive conceptual framework is presented below to reflect the participants' own lived experiences and interpretations.

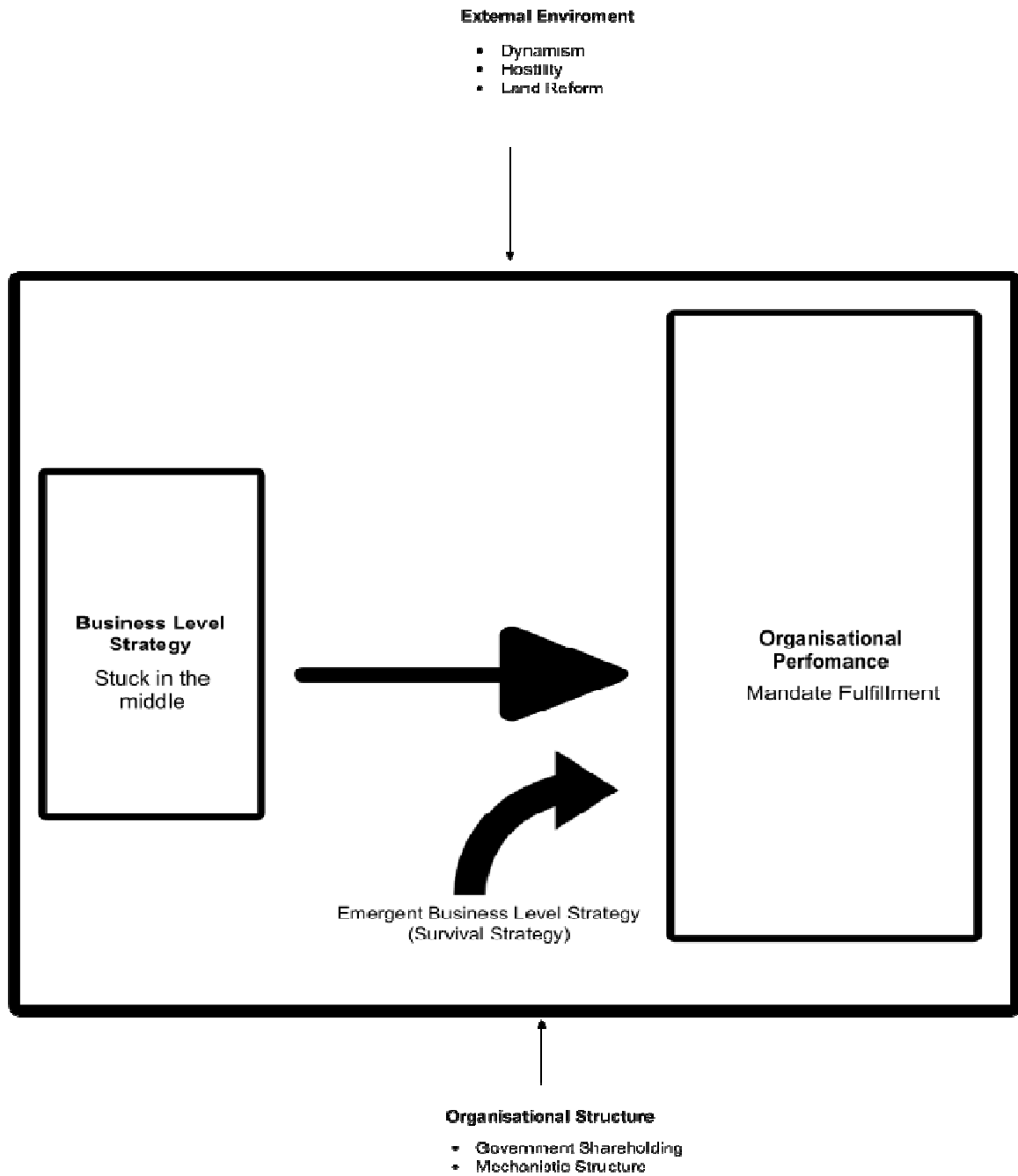
This study also **contributes to existing literature** through providing evidence for Agribank that **in the absence of a coherent business level strategy, an emergent business level strategy affects organisational performance even when not guided by management's intentions**. This has been the case for Agribank, a state owned institution situated in Zimbabwe. These **contributions** to extant literature give rise to a **distinctive conceptual framework** below for an organisation implementing a no coherent business level strategy, that is, stuck in the middle. The study only borrows from Nandakumar *et al.* (2010a) hostility and dynamism to characterise the environment and mechanistic to describe the organisational structure.

**This study advances the thinking in the debates about the effects of business level strategy on organisational performance by providing new insights and a new conceptual framework as shown below. The study takes the thinking in the extant literature to new heights by taking the discussion forward to consider a business case of no coherent strategy and mandate fulfilment as the main existential objective.**

The study makes **use of new data sources** by using Agribank which is situated in Zimbabwe whereas the existing literature considers organisations located elsewhere in the world. Despite research on the effects of business level strategy on organisational performance being an old area of research, the evidence presented from Agribank provides new insights from a Zimbabwean and African perspective. The study also makes a **methodological contribution** by solely using a **mono method qualitative methodological choice in a Zimbabwean context.**

Government and its state owned enterprises by nature are bureaucratic and as such Agribank is no exception as it sticks to its mechanistic structure. The new proposed conceptual framework depicts that as long as Agribank continues to fulfil its mandate, it is assured of its continued survival and existence by the shareholders (Government). Other organisational performance measures are not as important. They are not a prerequisite as mandate fulfilment is. Finally, a **distinctive conceptual framework** which explains the state of affairs at Agribank and reflects the narratives being conveyed within the interviews is presented below.

## 5.6 AMENDED CONCEPTUAL FRAMEWORK



**Figure 5-1** Business level strategy as it affects organisational performance.

**Source:** Narratives by participants. See Appendices B.

## **5.7 POLICY RECOMMENDATIONS**

It is recommended that policy makers such as Government must craft and implement policies that positively affect Agribank's performance and enables it to fulfil its mandate of providing sustainable Agricultural Development Finance and banking services to contribute to the country's attainment of economic growth, development and prosperity, in partnership with public and private sectors. In the event that a Government policy negatively affects Agribank's performance, the board of directors and the policy makers (shareholders) must ensure that the negative effects are completely neutralised or mitigated for better organisational performance. The shareholders must not prescribe a particular organisational structure, that is, a mechanistic structure that is out of sync with the prevailing hostile and dynamic environment as alluded to by the participants. The research recommends that the shareholders (Government) must allow Agribank to come up with an organisational structure that allows the bank to react to the ever changing environment to its best advantage.

Another recommendation is that Agribank must craft and implement a business level strategy that preserves shareholders' value while fulfilling its mandate as outlined in the statutes governing the operations of the bank. This is key in sustaining the operations of the bank. Over and above mandate fulfilment, performance measures such as profitability must also be seriously considered by the board of directors and the shareholders. This is not in contrast to the fulfilment of the mandate of the bank. The shareholders ought to have a financial return on their investment in Agribank especially during these difficult economic times and the dire financial distress the policy makers (shareholders) are in. This goal complements sustenance of the agricultural development finance, preservation of shareholders' value and fulfilment of Agribank's mandate.

## **5.8 MANAGERIAL RECOMMENDATIONS**

The study recommends to management to be proactive in their contributions to the crafting and implementation of Government policies that affect Agribank's performance through continuous engagement and constructive dialogue with the shareholders (Ministries of Finance and Economic Development and Agriculture, Mechanisation and Irrigation Development) for better organisational performance.

Another recommendation is that Agribank's management must be innovative as alluded to by the participants. Management must craft and implement a business level strategy that ensures mandate fulfilment and better organisational performance in terms of positive profitability and preservation of shareholders' value. Agribank's management must come up with an organisational structure that enables the bank to timeously react and meet the business demands of the current dynamic and hostile environment. The bank's management must be proactive in dealing with the high level of non-performing loans in order to free the "locked up" funds and under-capitalisation as the bank's weaknesses and threats from the environment. Management must continuously lobby Government for more resources to adequately capitalise the bank so that it can underwrite more business in order to fulfil its mandate and be profitable. Management must also take advantage of the civil service and other Government organisations financial resources as given strengths which can be used to exploit investment opportunities in the environment from time to time.

Agribank has the potential to grow well beyond its present market share of 2% by reaching beyond existing customers to non customers, by de-segmentation, discovering and understanding non customers' key commonalities of not using Agribank's products and services. The bank must aim to deliver the decisive advantages of all the alternative strategic groups such as banking, insurance, mobile cash transfers, cellphones' airtime purchases, bill payments, utility payments by being a total solutions bank that buyers seek when they make choices about financial products or services.

Agribank must **be unique** in creating and capturing new demand and new uncontested market space as exemplified below. The bank must follow where the money is and endeavour to make an emotional association experience with existing customers and non customers. For example, associate the bank with clients' emotional, social and economic activities such as vegetable and flea markets businesses in places like '*mbare musika*', '*mupedza-nhamo*', '*siya-so*', and '*mukambo*'.

Agribank must help people realize their dreams, build their businesses from scratch and in the process stimulate more latent demand for the bank's products or services by imparting business management skills and training and through financial advisory. These services can be offered to the present and potential clients now despite Agribank's limited financial resources. Agribank must take advantage of the convergence of financial services as lamented by some of the participants. Without innovation, Agribank's products and services fall into the trap of imitation, intense price competition and competitive bench marking. Innovation on its own is not profitable. Value innovation ensures sustainability, preservation of shareholders' value and profitability in the future for the bank. Agribank needs to come up with pioneering value innovated products for high deposit mobilisation, profitability and high growth trajectory. The bank must create unprecedented products' and services' value to attract the mass market and be profitable while fulfilling its mandate.

#### **5.9 RESEARCH LIMITATIONS**

Good corporate governance demands that there must be unequivocal separation and delegation of power and accountability between management and the board of directors. The researcher could not be personally attached to the participants on a day to day basis due to time constraints and the non executive directorship position of the researcher in the bank. However, the researcher has unfettered access to all the participants and information of the bank and therefore naturally overcomes all these obstacles.

This research cannot explore all the factors that affect the bank's performance. The factors that affect the bank's performance are many and varied, however business level strategy is just one of them. Some of the factors are best explored using a quantitative methodological choice. Therefore, this research may be extended to use either the simple or complex mixed methodological choice to fully explore the issues that affect Agribank's performance. However, this is very complex, costly and requires a lot of time to undertake the study. This study only considers Agribank as a single case in the banking sector with fourteen operating commercial banks and this a big limitation in exploring the issues that affect organisational performance.

### **5.10 AREAS OF FURTHER RESEARCH**

Though the findings of this study are only confined to Agribank, it will be interesting to investigate similar institutions in Zimbabwe. This study recommends that the analysis of mandate fulfilment, the relationship between business level strategy and performance within Agribank be extended to use either the exploratory simple or complex mixed methodological choice to fully explore the issues and compare the findings to better understand the phenomena. The researcher also recommends further research on other state owned financial institutions in Zimbabwe, Africa and elsewhere in the world to explore if the same themes would come to the fore, bearing in mind that attention must be paid to the particulars of a context (case) rather than generalizations. Further studies could also consider longitudinal studies in exploring the phenomena and understand the changes in behaviour, attitudes and perceptions of the participants over time.

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# **APPENDICES**

# APPENDIX A:- INTERVIEW GUIDE

## 1. Business-level strategy interpretation

The questions in this section are based on the business level strategy of Agribank in the last five years.

### **Cost-leadership**

1. How successful have you been in managing costs?
2. Have you been able to achieve a cost leadership advantage? If not, why is that so?
3. What level of capacity utilization are you operating at and is it the optimum level for you? If not, how do you achieve optimum capacity utilization level?
4. How do you ensure price competitiveness? How do you derive cost benefits?

### **Differentiation**

5. How different are your products and/or services from other similar financial institutions?
6. How successful have you been in differentiating your products/services from other competing institutions?
7. How often do you introduce new banking products/services?
8. How often do you advertise or market your products or services.
9. How is your brand perceived and positioned in the market?

### **Integrated**

10. Does Agribank ever consider mixing the above two strategies? If so, how do you see yourself going about it?
11. How will it benefit the bank?

### **Cheap Chic**

12. Do you ever conceive of offering higher quality products/services at lower prices than competition? How do you see going about it?
13. How does the bank benefit from such a strategy?

### **Other**

14. Overall, what business level strategy has the bank embarked on and has it been successful in giving a competitive advantage?

## **2. Environmental Interpretation**

The following questions relate to changes in Agribank's external business environment over the past five years.

### **Dynamism**

15. What have been the technological advancements in the banking industry? Which ones have you adopted and implemented and what has been the effect?
16. How often does competition introduce new products to the markets and what have these been?

### **Hostility**

17. How intense are the market activities of your key competitors?
18. Do you worry or care about it?
19. What is your take on the convergence of financial services and how is it affecting you? (Banking, Insurance, Bill payments, Ecocash, etc)
20. Which institution would you consider merging with and why that particular institution?
21. How would you classify Agribank in terms of reacting to its environment?

## **Government Policies**

22. How has the land reform affected the bank?
23. How has the indigenisation policy also affected the bank?
24. Do you think Government will continue offering concessionary funding for agriculture?
25. How does it affect your portfolio and repayment patterns of your clients?

## **3. Organisational Structure**

The following aspects relate to Agribank's structure during the last five years.

26. How is the staff hierarchy of Agribank organised?
27. Would you consider that to be an optimum structure in view of your activities?
28. How are decisions made and communicated in Agribank?
29. What suggestions would you consider to streamline your structure?

## **4. Organisational Performance**

### **Objective Fulfillment**

The following questions relate to the extent to which Agribank has been successful in achieving each of the following objectives in the last five years.

30. How have you been performing in terms of fulfilling your mandate as a bank?
31. What is the level of your NPLs and how do you explain it in terms of Agribank's performance?
32. What measures are in place to improve on that?
33. A bad strategy, bad lending tradition and poor credit control results in high levels of NPLs leading to bank failure, (Goodhart et al 1998). What is your comment?

## **Relevant Competitive Performance**

The following questions relate to the performance of Agribank relative to its competitors in the last five years.

34. How has been the financial performance of Agribank during the last five years?
35. What is Agribank's market position relative to that of competitors?
36. Is there alignment between Agribank's business level strategy and its functional level strategies?
37. How is Agribank's strategy and structure aligned to the environment?
38. How do you see yourselves in the long term?

# APPENDIX B:- INVIVO & FIRST CYCLE CODING

## 1. BUSINESS LEVEL STRATEGY

### IN VIVO CODING

#### Q1.

*The cost structures of the bank are fixed and admittedly high. Given the harsh economic environment, we have to increase our revenue generating streams. The problem is on the income side.P8*

#### Q2.

*The bank cannot be a cost leader because of its high operational costs and low business volumes. We are relooking at the costing of all our business activities with a view to bringing down the total operational costs. P2*

#### Q3.

*All we can say is that the bank's capacity utilisation is very low. The bank is operating sub optimally due capitalisation constraints hence the losses. P7*

### DESCRIPTIVE    INDUCTIVE CODING

**High Operational Costs.**

**Low income.**

**No cost leadership.**

**Low Capacity Utilisation.**

## IN VIVO CODING

### Q4.

*Our products' pricing is competitive. The bank is in middle of the road pricing position. We also have been implementing cost leadership and differentiation simultaneously though unsuccessfully due to a host of factors. P15*

### Q4

*In terms of pricing, we are competitive because we benchmark all our products against competition. Our model is about cost plus a margin. It is not about deriving cost benefits. P4*

### Q5.

*It is not about differentiated products. We focus on products already in the market that give quick returns in a space of three to four months so that we are able to redeploy our resources for maximum benefit. It is about survival. P6*

*At the moment the bank is focusing on survival strategies and existing quick earning products. P1*

### Q6.

*We do what it takes to survive. The bank has both the lowly priced products and very highly priced products as well like every other bank. P10*

## DESCRIPTIVE    INDUCTIVE CODING

**Competitive Pricing.**

**Stuck in the middle.**

**Competitive Pricing.**

**No cost benefits**

**No product differentiation.**

**No product differentiation.**

**No product differentiation.**

## IN VIVO CODING

## DESCRIPTIVE    INDUCTIVE CODING

### Q7.

*The bank is now focussing on high growth areas like mobilising deposits from tobacco farmers who are expected to bring in about \$600 million this year alone. We are constrained by capitalisation to be able to be fashioning out new products. P3*

**Infrequent new products introduction.**

### Q8.

*Currently our budget for marketing and advertising is very thin. We have not been advertising our products or services due to resources constraints but sometimes we send sms messages. P5*

**No concerted effort to market or advertise.**

### Q9.

*Our brand as Agribank is still very good especially with the farmers despite other stakeholders ranking us lowly. P20*

**Brand image good and/or bad.**

### Q10 & Q11.

*We price our products to survive and then benchmark against competition. Product pricing is not about low pricing or high pricing. There is huge demand for funding in the market. To us, it is about survival. P17*

**No integrated strategy.**

## IN VIVO CODING

### Q12 & Q13.

*Definitely, we do not implement a cheap chic strategy. We are a mass market bank. Issues of quality come last in our pricing matrix. We need to survive as a bank. P19.*

### Q14.

*We cherry pick any strategy that suits the moment. But I also confess that it confuses the clients, marketing, IT and retail banking departments as the bank continually shifts positions. For now we have embarked on a survival strategy and nothing else matters. P13*

## DESCRIPTIVE    INDUCTIVE CODING

**No cheap chic strategy.**

**No Segmentation, targeting  
and product positioning.**

**Survival strategy.**

## 2. ENVIRONMENTAL INTERPRETATION

### IN VIVO CODING

#### Q15

*The banking systems have been changing every year or so. Now they are changing every six months if not less. We have seen the Bankmaster, then Globus now there is T24 with new monthly or bi-monthly updates of its previous versions. As I speak, we now use version 24 for a system we implemented barely two years ago. P12*

#### Q16

*New products are being introduced daily. There is Ecocash, Telecash, Textacash and others from these mobile phone operators. There are products like Ecosave and bill payments. These products are eating into our market share and drastically reducing our margins. P14.*

#### Q17 & Q18

*Competitors are emerging from every angle. It is not about our traditional competitors anymore. It's about everyone. Mobile operators, microfinance companies and insurance companies. You tell me who is left out? Of course, we are very worried. They want to bury us alive. Imagine! P13.*

### DESCRIPTIVE CODING

### INDUCTIVE

**Rapid technological changes.**

**Daily new products introductions.**

**Reduced market share and margins.**

**High threat of substitute products or services.**

**Very intense rivalry of competitors.**

**High threat of new entrants.**

## IN VIVO CODING

### Q19

*The convergence of financial services is killing the banks. I do not like it. All those competitors are not regulated by RBZ like us the banks. They are encroaching into our space. Where shall we go? P3*

### Q19

*We have to become “partners in crime”. We have to try and form strategic alliances with the competitors. For example, we are now business partners with ZESA and Zinara. As long as we get our share of the convergence, we are not worried. P9*

### Q20

*At the moment, we would like to merge with cash rich institutions like RMI, Zinara and NSSA so that they can adequately capitalise the bank. P5*

### Q21

*Agribank reacts to its environment according to its resources. At the moment we are seriously under-capitalised therefore we cannot do much. We only react to preserve ourselves. You know, ensure our survival. P7*

### Q21

*The bank can neither deal with the threats coming from the environment nor can it exploit opportunities coming its way. We get hit from all directions because of inadequate capitalisation. We cannot do much. P10.*

## DESCRIPTIVE CODING

## INDUCTIVE

**Lack of innovation.**

**Lack of leveraging on the convergence.**

**Strategic alliances.**

**Profit sharing is good.**

**Wish to merge with cash cows.**

**Resource based view.**

**Reactor. Reacts when absolutely forced to do so.**

**Sitting Duck.**

## IN VIVO CODING

### Q22

*Land reform destroyed corporate agriculture. It was the corporates that drove our agro based economy before the land reform. It was easy for the bank to mobilise lines of credit for those corporate because they were credit worthy. P1.*

### Q22

*The business models of the former famers were internationally biased. Zimbabwe used to export most of its agricultural products before the advent of the land reform and the subsequent sanctions. P4.*

### Q22

*Land reform brought sanctions on the bank. We cannot transact internationally and let alone mobilise external lines of credit. P9.*

### Q22

*Land reform brought more business to the bank as numerous farmers opened accounts with us to access the concessionary Government funding. However, the biggest challenge is that they do not pay back their loans. Most of them are bad debtors, I tell you. The majority of our NPLs are for farmers. Land reform helped establish Agribank. The Government wanted a bank which would whole heartedly support the agrarian reform. P2.*

## DESCRIPTIVE CODING

## INDUCTIVE

**Corporate agriculture destroyed.**

**Export business models stopped.**

**Sanctions on the bank.**

**More business.**

**Farmers are bad debtors.  
NPLs.**

**Land reform helped establish  
Agribank.**

## IN VIVO CODING

### Q22

*We are under sanctions as a bank as a result of the land reform. The bank is on the OFAC list under ZIDERA. Those sanctions on Zimbabwe from the USA are directly affecting the bank. P13.*

### Q23

*The indigenisation policy has resulted in numerous local businesses. For us, it is good because more businesses means more accounts for the bank hence more revenue. P19.*

### Q24

*Concessionary funding from Government will not come any time soon. The Government is cash strapped at the moment. However, farmers need concessionary long term funds for agriculture to fully recover. It is a catch twenty two situation. P16*

### Q25

*If we get funding from Government for agriculture, it will mean more business for us. The challenge is that most farmers are reluctant to pay back funds coming Government because they deem the funds to be free money. P6*

## DESCRIPTIVE INDUCTIVE CODING

**Sanctions on the bank.**

**More business.**

**Indigenisation policy favourable.**

**No concessionary funding.**

**Need for concessionary funds.**

**Government broke.**

**No repayment of Government funds.**

**Government funds considered free funds.**

## IN VIVO CODING

### Q25

*Going forward, we will change our lending strategy and only lend to the good farmers. That will also help us deal with potential non performing loans. P15*

## DESCRIPTIVE INDUCTIVE CODING

**Change in lending strategy.**

### 3. ORGANISATIONAL STRUCTURE

**IN VIVO CODING**

**Q26**

*There is a chief executive at the top followed by divisional directors then several managers and more staff right to the guys on the shop floor. It's a mechanistic thing, you know. P8*

**Q26**

*It is very rigid and one directional, but so far so good. The structure is very bureaucratic. The conduct of the bank is due to its structure hence the losses. P11.*

**Q27**

*Optimum structure? It is not flexible. You are not heard by anyone except your superior. What if I have issues with my superior? P20.*

**DESCRIPTIVE CODING**

**INDUCTIVE**

**Mechanistic structure.**

**Bureaucratic. Structure, Conduct and Performance issues.**

**Inflexible structure. Voice of subordinate not heard.**

## IN VIVO CODING

### Q27

*Of course not. It stifles innovation. Your immediate boss does not want a subordinate to outshine him or her. You will be quickly whipped into line. Innovation is killed that way. P17*

### Q28

*It's like in the army. You follow your chain of command. Instructions only come from the top and never the other way round. P14*

### Q28

*Orders only come from the top. Water does not flow uphill, isn't it? P12*

### Q29

*Personally, I will be happy with a flexible structure that meets the demands of the business and the environment. I wish ideas could flow to any place and to anyone in this bank. P18*

### Q29

*I want to communicate with anyone in the bank especially when a bolt of innovation hits me. My boss will not understand. Remember, there is organisational politics at play all the time. P9*

## DESCRIPTIVE CODING

## INDUCTIVE

**Stifles Innovation.**

**Kills innovation**

**Follow chain of command.**

**Orders go one way.**

**Happy with a flexible structure.**

**Wishes for an organic structure.**

**Organic structure to encourage innovation.**

## 4. ORGANISATIONAL PERFORMANCE

### ( i ) OBJECTIVE FULFILMENT

#### IN VIVO CODING

##### Q30

*We are still supporting farmers and we will still support farmers but now through micro finance and SME lending. These are expensive products for farmers. We have to fulfil this mandate since it is the sole reason for our continued existence otherwise the Government would have closed this bank a long time ago. P18.*

##### Q30

*Due to capitalisation constraints, we have not adequately supported the farmers over the last few years. We do not have a blanket presence in agriculture. We now focus on certain niche markets like small scale tobacco and sugarcane farmers for example. P2*

##### Q31

*We have huge NPLs that are locking up most our liquidity. The level of our NPLs is very high. P19*

#### DESCRIPTIVE CODING

#### INDUCTIVE

**Supports farmer through expensive products.**

**Mandate fulfilment is sole reason for continued existence.**

**Focus on niche farmer markets.**

**Huge NPLs.**

**IN VIVO CODING**

**DESCRIPTIVE      INDUCTIVE  
CODING**

**Q32**

*We have adopted a programme of how to deal with the NPLs. Some will go the legal route, some through schemes of arrangement and some through ZAMCO. P3*

**Plan to deal with NPLs.**

**Q32**

*We are tightening the lending criteria. No refinancing unless the clients first clear their old debts. P16*

**Tightening Lending criteria.**

**Q33**

*Our high level of NPLs is not due to bad lending policy but it is due to the harsh economic environment and erratic rainfall. P4*

**High NPLs due harsh economic environment and erratic rainfall.**

**RELEVANT COMPETITIVE PERFORMANCE**

**Q34**

*The bank has been making losses but not as much as those of other banks with huge capital bases. Even when you compare their level of profitability with us given their huge capital bases, we are not doing very badly, either. P17*

**Losses are not huge.**

**Q34**

*'The bank must implement a blue ocean strategy and must not compete neck to neck with others at a time when it is seriously undercapitalised.' P19*

**Implement blue ocean strategy.**

## IN VIVO CODING

## DESCRIPTIVE CODING

## INDUCTIVE

### Q34

*'It is not anywhere in all the statutes that we fulfil our mandate at a financial loss to the shareholders. The losses are due to the harsh economic environment and under-capitalisation of the bank.'* P1.

**Not lawful to make financial losses while fulfilling the bank's mandate.**

### Q35

*It is a question of perception. We are mainly associated with farmers but we are a commercial bank. The Reserve bank ranks us last on the list in terms of capitalisation but we are good in some areas.* P5

**Very low market rating.**

### Q36

*Yes there is alignment. That is the reason why we have adopted short term survival strategies that will ensure that we will be there tomorrow.* P14

**Determined to survive.**

### Q37

*I think our structure is aligned to the strategy. Our structure is perfect and our strategies will ensure that we survive. Remember, we follow the Government's strategies.* P6

**Thinks structure is aligned to strategy.**

**Follow Government strategies.**

### Q38

*The bank will not be closed but we just need to survive in the short term. Good times lie ahead.* P7

**Believes bank will continue to exist.**

# APPENDIX C:- SECOND CYCLE OR PATTERN CODING

## 1. BUSINESS LEVEL ANALYSIS

Second cycle codes or pattern codes are inferential or explanatory codes and they identify an emergent theme or explanation (Miles et al., 2014). Using second cycle coding for higher abstraction, the under-listed table demonstrates the emerging themes from the data. The analysis shows that Agribank has no coherent strategy and hence it is stuck in the middle.

### DESCRIPTIVE INDUCTIVE CODING

No cost leadership strategy.  
No product differentiation strategy.  
No integrated strategy.  
No cheap chic strategy.  
No market segmentation.  
No targeting and positioning of products.  
Survival strategy.

### PATTERN CODING

**Stuck in the middle.**  
**No coherent business level strategy.**  
**Emergent business level strategy.**

## 2.1. ENVIRONMENTAL ANALYSIS

The environmental analysis shows that Agribank is operating in a dynamic and hostile environment. Due to resource constraints Agribank is a reactor to threats from the external environment.

### DESCRIPTIVE INDUCTIVE CODING

Rapid technological changes.  
New products' introductions daily.  
Reduced margins and market share.  
High threats of substitute products or services.  
Very intense rivalry of competitors.  
High threat of new entrants.  
Lack of innovation.  
Lack of leveraging on the convergence of financial services.  
Strategic alliances.  
Land reform helped to established Agribank.  
Form strategic alliances with competitors.  
Wish to merge with cash cows.  
Resource based view.  
Reacts to environment only when forced to do so.  
Sitting duck.

### PATTERN CODING

**Dynamic environment.**

**Hostile environment.**

**RBV.**

**Reactor.**

## 2.2 GOVERNMENT POLICIES' ANALYSIS.

Some Government policies affect the performance of Agribank either negatively or positively. Some policies are a double edged sword. They have both negative and positive effect on the performance of the bank. Through second cycle coding the analysis of the data is as shown below.

### DESCRIPTIVE INDUCTIVE CODING

Corporate Agriculture destroyed.  
Export business models no more.  
Sanctions on the bank.  
Non repayment of Government funds.  
Farmers are bad debtors.  
High NPLs.  
No concessionary Funding.  
Government funds considered free funds.  
Government broke.

### PATTERN CODING

**Government policies negatively affect Agribank's performance.**

### DESCRIPTIVE INDUCTIVE CODING

Land reform helped to establish Agribank.  
Land reform generated more business for Agribank.  
Indigenisation policy generated more for business for Agribank.  
Indigenisation policy favourable.  
Concessionary funding increased business for Agribank.  
Need for concessionary funding.

### PATTERN CODING

**Government policies positively affect Agribank's performance.**

### 3. ORGANISATIONAL STRUCTURE ANALYSIS.

The organisational structure analysis inductively highlights what the process coding brings to the fore as key themes and is shown below.

#### DESCRIPTIVE INDUCTIVE CODING

Mechanistic structure.  
Bureaucratic.  
Structure, Conduct and Performance issues.  
Inflexible structure.  
Voice of subordinate not heard.  
Stifles innovation.  
Follow chain of command.  
Orders go one way.  
Wish for organic structure.  
Happy with flexible structure that encourages innovation.

#### PATTERN CODING

**Mechanistic structure  
Not suitable for the current environment.  
Conduct of bank due to its structure leading to poor organisational performance.  
Oppression of subordinates.  
Stifles Innovation.  
Need for flexible organic structure.**

## 4. ORGANISATIONAL PERFORMANCE ANALYSIS.

This organisational performance analysis also gives us a new insight to the conceptual framework as earlier proposed.

### DESCRIPTIVE INDUCTIVE CODING

Mandate fulfilment is sole reason for continued existence.

Focus on niche farmer markets.

Support farmers through expensive products.

Huge NPLs.

Plan to deal with NPLs.

High NPLs due harsh economic environment.

Tightening lending criteria.

Losses are not huge.

Very low market rating.

Determined to survive.

Thinks structure is aligned to strategy.

Believes bank will continue to survive.

Follow Government strategies.

Not lawful to make financial losses while fulfilling the bank's mandate.

### PATTERN CODING

**Mandate fulfilment is sole reason for continued existence.**

**Bank failing to adapt to changing environment.**

**Management cannot accept reality.**

**Strategic myopia.**

**Believes bank is following Government strategies.**

**Must fulfil the bank's mandate profitably.**