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**ENHANCING FINANCE TRANSFORMATION THROUGH GOVERNANCE,  
COMPLIANCE AND CONTROL MECHANISMS IN ZIMBABWE PRIVATE SECTOR  
COMPANIES.**

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## DECLARATION

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## **DEDICATION**

I would like to dedicate this research to my loving wife Molline and son Makomborero for their considerable support, understanding, and everlasting love throughout the journey to complete this research.

## **ACKNOWLEDGEMENTS**

First and foremost, I would like to thank the Almighty Lord for his guidance in carrying out this study from start to finish. I further want to thank my dissertation supervisor, Dr Chikova who patiently supervised my work and ensuring that it matches the standards expected by the University of Zimbabwe Graduate School of Management. I also thank Dr M. Sandada for the lectures he conducted which made it easier for me to carry out this study. Finally, I want to thank my family and friends who gave me the time and encouragement to ensure that I manage to complete my MBA programme.

## **ABSTRACT**

The aim of this study was to determine ways of enhancing finance transformation through governance, compliance, and control mechanisms in Zimbabwean private sector companies. A quantitative survey was carried out in private sector companies in Harare, Bulawayo, Masvingo and Zvishavane. A sample of 150 managers in the private sector was targeted and a response rate of 60% was achieved. The findings revealed that governance, compliance, and control mechanisms had a positive and significant relationship with finance transformations. Although there is a positive association between governance and finance transformation, the study concluded that governance in private companies is a weak predictor of financial transformation. More so, although private companies ensure compliance by ensuring transparent financial reporting and compliance to legislation, compliance in private sector companies have been proved to be a weak predictor of finance transformation. Control mechanisms were found to be strong predictors of finance transformation. While private companies have good governance and compliance practices, they must focus more on strengthening control mechanisms through for example investing in automated control systems and documentation of control systems to enhance finance transformation. The research recommend that the government must come up with well thought policies that strengthen both internal and external controls in both public and private sector companies in a bid to promote their survival through reduction of business cost associated with fraud and corruption. Further studies were recommended to examine the effects of other factors affecting finance transformation apart from governance, compliance, and control in the same or different institutions/organisations.

## **LIST OF ACRONYMS AND ABBREVIATIONS**

CFO- chief financial officer

CIMA- Chartered Institute of Management Accountants

FDI -Foreign Direct Investments

PWC -Price Waterhouse Coopers

SOA- State-Owned Enterprises

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## **CHAPTER ONE: INTRODUCTION AND BACKGROUND**

### **1.1 INTRODUCTION**

Several Zimbabwean private sector companies are currently going through or facing financial distress and closure. This is mainly attributed to the current economic maelstrom brought about by the introduction of the new currency and a move towards de-dollarization. Furthermore, cash shortages, a problem for years, have worsened, and foreign currency is hard to come by. This has made it difficult for private sector companies especially those depending on imports to do business to fully finance their operations. This calls for the employment of finance transformational mechanisms.

Efforts to recuperate these companies in finance distress through judicial management have failed with studies indicating that more than 80% of companies under judicial management end up in liquidation, raising concerns of the effectiveness of finance transformational mechanisms that are being employed by both finance managers and judicial managers (Mupini, 2016). To this end, a valuable contribution to research in this area must seek to address these shortcomings, by providing a workable finance transformation framework that senior managers, junior managers, and business rescue practitioners can utilise to ensure business survival. The result of applying the framework should lead to an improved finance performance that can present stronger internal and external results, which can adapt to change considering the volatility of the Zimbabwean economic environment.

This chapter starts with a background of the research on finance transformation, then explains the research aim and objectives, and gives a brief overview of the approach to research. The introductory section ends with the outline of the overall structure that this research will follow.

### **1.2 STUDY BACKGROUND**

Finance transformation is a process aiming at finance efficiency and thus supports solving critical issues in the finance function, focusing on strategy, process, talent, and technology solutions. For enterprises, it is essential to perform a finance transformation to be competitive in a high-pressure business environment. Enterprises must transform the way the finance function operates

in terms of the integrated information technology landscape towards effective process ownership and governance.

Finance transformation is an essential step to stay competitive in the global environment (Kops and Lyon, 2014). If enterprises aim to remain competitive, they should consider the changing role of finance in helping the entire organisation create greater value. According to Genpact (2018), enterprises need to standardise and consolidate their finance processes and technologies across borders for simplicity, quality, visibility, and cost reduction. To be successful with the challenges of compliance and globalisation, enterprises must transform both the way the finance function operates and the relationship with other departments within the organisation (Genpact, 2018; IBM, 2016a; Lyon and Lawson, 2012). For management to have full control of the business and ensure compliance with regulations there is a need to acquire new technologies, skills, and an understanding of the effects of new regulations on the whole organisation.

Financial management holds the key to resolving some of the most intractable problems and capitalizing on the opportunities facing global companies. Through a process often known as finance transformation an umbrella concept that focuses on improving performance, stewardship, and control of the company by enabling chief financial officer (CFOs) and their finance organizations to have greater impact on strategy formulation and execution across the enterprise - companies have begun to realize the value of finance in transforming their business operations. To this end, the finance function must take a fundamental role in the organisation by combining greater visibility, agility, and efficiency with a focus on the long-term strategic business needs.

Business activities and decisions are becoming quicker and leaner. Finance transformation and its implementation are necessary in today's economic environment (CGMA, 2012) to master the challenges of an organisation with focus being given to the finance department, human resources and in its infrastructure and technology. According to the research, conducted over the past decade by the Chartered Institute of Management Accountants (CIMA, 2011), the need for increased finance function transformation was identified. Due to the increasing competitive pressure (globalisation), pressure on companies to optimise finance processes has increased. Compliance functions now have an increased profile and higher expectations placed upon them. However, a changing business environment, tough economic and competitive conditions, evolving risks and cost pressures on finance institutions have led to increasing pressure on



compliance functions to re-align to business strategic goals and to transform into a more value-add service line that can deliver more effectively and efficiently.

According to Gartner (2019), a consultancy company, only 30% of finance transformations on a global scale deliver on the forecasted benefits of the business. These statistics introduce another perspective of how finance transformations are complex in nature. Most of finance transformations have been mostly perceived to be associated with investing in technology. This facilitates automation of financial and accounting processes bringing about advantages such as formalisation and acceleration of workflows, data checks, enforcing financial controls, and ensuring uniform reports. Technology also shares its limitations that can easily create an expensive long-term liability, these include the fact that computers are just tools, which cannot apply judgment or handle exceptions. Furthermore, technology alone will not lead to enterprises performing successful transformation (Andersson, Movin, Mähring, Teigland, and Wennberg, 2018). It is necessary to understand and plan the impact the transformation will have on the organisation, including people and skill requirements. This shows that there is growing need to relook at aspects such as governance, control, compliance, and people, who take charge of the systems, in a bid to achieve a workable solution to finance transformation.

The current Zimbabwean economic maelstrom that is characterised by absence of cheap capital for recapitalization, declining FDI (Foreign Direct Investments), weakening local currency, stiff competition from import, subdued consumer demand and shortage of foreign currency have seen several import dependant firms fighting for survival, especially those in the inputs distributing industry. Most Zimbabwean products have become uncompetitive in terms of quality and price, and many companies are failing to meet their obligations as they become due and payable. As a result, many companies have become distressed.

Several companies in Zimbabwe have undergone finance transformation in which changes have affected systems, suppliers, and customers all through the organisations with an end-to-end process accountability. Whilst some of these companies have managed to successfully transform, others are still lagging due to poor governance attributed to corruption and nepotism, which has brought about inefficiencies, lack of compliance and are facing control issues which are causing inefficiencies. From available evidence, much of finance transformation in Zimbabwean private sector companies has been facilitated through Judicial management although this has resulted in

several liquidations, providing evidence of transformation failures. Thus, based on statistical figures provided by Kandwe, Ruturi and Madzikanda (2016), more than 80% of companies under judicial management end up in liquidation. Thus, the resulting consequences of failing to implement a properly designed finance transformation involves missed opportunities for reinventing the value of finance that is a process handling large amounts of data; incorporating information into the organisation; automating to improve the speed, efficiency, and quality of the revenue cycle; providing additional information that drives greater customer insight and a proper system of trust and transparency in these organisations.

On a company level, traditional approaches to finance management in Zimbabwe have proved to fail, given the number of companies that have gone under judicial management. Instead, they merely shuffle tasks from person to person, from person to machine, or simply to fewer people. To change the results for finance and accounting, there is a need to change the underlying processes. According to PWC (2013), finance transformation also takes a lean approach which is an effective approach for the systematic identification and removal of non-value-added activities. A lean approach differentiates value-added activities and non-value-added activities (Raghunathan et al., 2016), this is facilitated by an improvement in governance, compliance, and control mechanisms. Thus, based on a study conducted by PWC (2013) lean as a tool within governance, compliance and control can lead to significant savings in both time and effort expended, allowing your finance function to refocus attention to higher-value business issues. In addition, Raghunathan, Phuah, and Yong (2016) emphasise the need for finance transformation to increase finance productivity and capability.

Finance transformation is the combination of people, process, technology, and data changes to provide a dramatic improvement in overall financial performance. The key point is improvement in financial performance, which is not merely cost reduction (Duganier, 2005). The general goal of finance transformation is to align finance with the overall company strategy to become more efficient and provide better service to the internal customers (Lau, 2014). According to PricewaterhouseCoopers (PwC, 2017), companies with higher revenues take advantage of economies of scale. Costs of finance are between 0.6% and 1.3% of the total company revenue. Initially, the costs seem to be on reasonable level, but from a business case perspective, the investment in finance transformation will close the gap between performance and objectives or

set priorities from redefining the finance operating model to investing in new finance systems, processes and enhancing finance talent management. The investment in finance transformation should contribute to higher profitability, improved control, improved return on investment, and make risks more manageable (Burgess and Bryant, 2001; Deloitte, 2013; Duganier, 2005; Sopra Steria, 2015).

While a substantial amount of research has been conducted by investigating the challenges and drivers of information technologies for finance, the idea of finance transformation is under-researched. There are a few studies which have looked at a holistic approach on the various ways of enhancing finance transformation based on governance, compliance, and control mechanisms. Thus, studies on finance transformation are important to find new ways regarding how to operate more efficiently. Based on Read and Scheuermann (2003), after a successful finance transformation, a company improves performance in growing business in a controlled environment, improves profitability with a sustainable operating model, creates a smarter, leaner cost structure, and develops accurate analytics and forecasts for decision making and risk management.

This study seeks to come up with a working framework that contains building blocks, which are integral parts of an effective operating model. The building blocks are selected to advise on how private companies can utilise governance, compliance, and control to enhance finance transformation, which is the key contribution to knowledge and practice. However, the process of finance transformation is specific for each enterprise. Nevertheless, the major building blocks need to be applied to combine redefined business processes.

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

Information obtained from the Office of the Master of the High Court of Zimbabwe suggests that 55 companies, the greater part being constituted by companies which mainly survive on imports, were granted a provisional order to be liquidated from November 2017 to December 2018 on finance grounds. The cost of borrowing money and the punitive interest on short-term loans; the stringent security requirements for loans; shortage of foreign currency to pay their creditors; the instability of the electricity network; frequent power outages, governance and compliance problems are the main problems that are being cited for these companies' closures. The closure of these companies reflects serious inability to financially transform to suite the current

economic maelstrom. These companies need to be revived; hence effective mechanisms are required to enhance finance transformation. There are limited studies on the impact of governance, compliance, and control mechanisms on finance transformation. This study sought to close this gap as it investigates the influence of governance, compliance, and control mechanisms on enhancing finance transformation regardless of the harsh economic environment. The focus is to investigate how these mechanisms contribute to enhancing finance transformation.

## **1.4 RESEARCH AIM AND OBJECTIVE**

### **1.4.1 Main Objective**

The main objective of this study is to determine ways of enhancing finance transformation through governance, compliance, and control mechanisms in Zimbabwe private sector companies.

#### **1.4.1.1 Specific Objectives**

- i. To investigate and determine governance mechanisms that enhance finance transformation.
- ii. To investigate and determine compliance mechanisms that enhance finance transformation.
- iii. To investigate and determine control mechanisms that enhance finance transformation.
- iv. Construct a finance transformation framework for private sector companies.

The framework will highlight the most important governance, compliance and control mechanisms that will help private sector companies to enhance finance transformation.

## **1.5 RESEARCH QUESTIONS**

The research addresses the following questions to achieve its aim and to break down the predefined objectives.

### **1.5.1 Main Research Question**

What is the impact of governance, compliance, and control mechanisms in enhancing finance transformation in private sector companies in Zimbabwe?

#### **1.5.1.1 Specific Research Questions**

- i. What is the influence of governance mechanisms in enhancing finance transformation?
- ii. What is the impact of compliance mechanisms in enhancing finance transformation?
- iii. What is the impact the control mechanisms in finance transformation?

The key to answers to these questions is a properly conceived research model, which complies with all the relevant academic and scientific requirements.

### **1.6 HYPOTHESIS**

The study, therefore, sought to test the following hypotheses:

H1: Governance mechanisms positively enhances finance transformation.

H2: Compliance mechanisms positively enhances finance transformation.

H3: Control mechanisms positively enhances finance transformation.

### **1.7 DELIMITATION**

The study will focus on private sector companies which are mainly in the importing business within Zimbabwe between the period 2016 to 2019 with attention being given to governance, compliance and control mechanisms which may assist in enhancing finance transformation. The focus area has been chosen because the researcher is part of a private sector enterprise which has branches across the country that is in Harare, Bulawayo, Masvingo and Zvishavane. The target population of the study will be private sector senior and junior management, board members, judicial managers, and policy makers.

### **1.8 SIGNIFICANCE OF STUDY**

The purpose of this study is to establish governance, compliance and control mechanisms that can be employed by private sector management to ensure that their organisations successfully transform financially to survive the current Zimbabwean economic maelstrom. The main contribution to knowledge and practice of this research is the creation of a finance transformation framework and recommendations for its effective implementation. Specifically, this research

offers academics and finance industry practitioners a better understanding of factors critical to the process and design of a future finance transformation, supported by empirical evidence.

The study will also contribute to the current body of knowledge in the field of finance services, finance transformation area and open avenues for further studies in the same field. Thus, this research will be a valuable contribution to theoretical knowledge through the in-depth review of various concepts and themes of finance transformation. This is achieved through a review of the academic and industry-based literature and the researcher's recognition of the effects of external and internal drivers on the adoption and implementation of finance transformation. Research in this area will contribute to a better understanding of the role and importance of finance transformation. The researcher aims to highlight key drivers of finance transformation, in the context of implementation benefits and challenges, and offers prescriptive guidance on how the transformation can be achieved through proving a workable model.

Considering the current performance of State-Owned Enterprises (SOE's), the study may also assist by providing a workable finance transformation framework which can be adopted by policy makers in a bid to transform these State-Owned Enterprises and other government bodies. Furthermore, this study will also provide information which may help policy makers to make informed decisions in policy making.

The study will assist both public and private sector senior management in particular Chief Finance Officers, judicial managers, and junior managers by providing a workable framework which can be used in implementing governance, compliance and control mechanisms that can help their organisations to enhance their finance performance in a bid to survive the current Zimbabwean economic climate.

Furthermore, the research will also provide an insight to the researcher which he may employ to improve the finance performance of his organisation. More so, this research will help the researcher to put theory into practice.

## **1.9 DISSERTATION OUTLINE**

The first chapter introduces the reader to the research topic. The background to the topic and the justification of the importance of the research are explained, followed by the research questions, which are based on the overall research aim and objectives. This initial understanding of the

topic will be then enhanced by an extensive literature review in Chapter 2 to understand what is already known about finance transformation and what the current topics are in the prevalent specialised literature.

The literature review focuses on the following areas, which are preponderantly significant in the investigation of the research aim as follows:

- Procedures: illustrate definitions and investigate the process of finance transformation.
- Parameters: explore reasons, drivers and the mechanisms that can be used in finance transformation.
- Managing Change investigates different governance, compliance and control mechanisms that are necessary to succeed.
- Risk: discusses risks and the indicated areas of performance improvement.

Chapter 3 focus is on the research methodology and describes in detail how the primary research was conducted to address the gaps identified in the literature review. In Chapter 4, analyses and findings will be presented. Chapter 5 will discuss the findings and come up with a framework for enhancing finance transformation based on the results of the conducted research and the literature, followed by the verification of the finance transformation framework. In addition, conclusions, limitations, and recommendations will be given to facilitate further research.

## **1.10 CHAPTER SUMMARY**

This chapter gave an introduction of the current challenges that are being faced by private sector companies and the urgent need for finance transformation followed by a brief background of finance transformation from a global scale perspective down to the Zimbabwean context. Furthermore, the specific objectives were outlined, and research questions were formulated. This chapter proceeded to provide the scope of the study to give a clear map and boundaries covered by the study and the significance of the study, therefore. This research will proceed to chapter 2 to provide a depth understanding of the research topic.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 INTRODUCTION**

Multiple enterprises are under pressure to improve financial and operational performance as expectations of owners, executive management, or shareholders increase. A change is necessary to either maintain the companies' competitive leadership or to address financial challenges and changes in the business environment due to for example economic downturns, governance issues, loss of market share, service maturity, or regulation that might impact performance. Moreover, the challenge is to drive business in real-time while the increasingly massive volume of data needs to be deployed.

This chapter summarises available literature on finance transformation, its background and current development, approaches to launching financial transformation and a critical review of the numerous areas in which financial transformation can positively influence corporate performance. The chapter identifies gaps in the existing literature and sets the context onto which the whole study is hinged with the aim to address the gaps, thus this chapter is a systematic review of existing literature which was conducted by other researchers on financial transformation. It summarizes the background and context of the entire research in relation to literature. Literature review critically analyses the information gathered by identifying gaps in current knowledge, showing limitations of theories and points of view, and formulating areas of further studies. It also shows the gap between the investigator's interest and knowledge of the focus area (Boswell & Cannon 2009). Literature review is most essential to identify the problem of the study, which can be solved by gathering of data.

### **2.2 EXPLANATION OF THE SEARCH STRATEGY FOR THE LITERATURE**

The researcher managed to find material which is relevant to finding ways of enhancing finance transformation in private sector companies focusing on governance, compliance, and control variables. To find this literature, authoritative books, journal articles, print or electronic media, newspapers, web sources have been used by the researcher. Once the subject is searched the exclusion and inclusion criteria was decided. In this stage all the material was evaluated to delete



unnecessary material. The last stage of literature review involves synthesis, which means discussing the findings and conclusions of relevant literature.

## **2.3 DEFINATION OF THE PHENOMENON**

### **2.3.1 Finance Transformation**

Finance transformation is one of the components of overall business transformation. Like enterprise transformation, finance transformation also involves the remodelling of the entire business (Bansal, 2013). Overall, finance transformation transforms adjourned corporate performance into perceptible corporate success (Keuper and Neumann, 2008). Furthermore, finance transformation is about leveraging new technologies and business models to deliver more efficient and effective services. Transformation can be contrasted with business process improvement, transformation can also involve relationships among processes, not just individual work processes in and of themselves. Today, various finance transformation definitions exist, according to Keuper and Neumann (2008), finance transformation means that all areas of the company are economically and financially oriented towards effective and efficient corporate management. Clare (2016) stated that transformation is the process of “profound and radical changes that orients an organisation in a new direction” and takes it to the next level. Finance transformation is an umbrella concept that focuses on improving performance, stewardship, and control of the enterprise. Results have a greater effect on strategy formulation and execution across the enterprise via finance, Gould (2013).

In their work on business transformation, Gouillart and Kelly (1996) defined transformation more broadly. On one hand, they argued that business transformation refers to the shifting of the company’s conception of itself that is what it is and what it can achieve. The authors referred to this dimension of transformation as reframing. Second, transformation affects the way the company and its operations are organised to match the new conception of self. This dimension, called restructuring, is centred on competitiveness and business strategy. Third, transformation is about revitalisation and changing the company’s alignment with its environment. Moreover, renewal deals with the people side of the transformation. It is about investing individuals with new skills and new purposes, thus allowing the company to regenerate itself (Gouillart and Kelly, 1996).

Armstrong (2014) argued that focusing on the goal of the core of finance simply reduces costs with minimal consequences and preserves finance's core governance role. This is usually carried out because the enterprise has made a divestiture, because revenue or revenue growth is falling, or because a cost-cutting mandate has been set. However, to increase the finance scale, it is necessary to expand the services finance offers in response to new business requirements in a flexible way. Many enterprises are performing finance transformation, but few have successfully completed the transformation process (Dennis, 2013). Finance transformations can take many forms, varying from company to company, but all enterprises need to reshape their operating model from time to time to suite new business requirements.

Finance transformation has been observed in the past, focusing primarily on savings, cutting costs, gaining efficiencies, and establishing the right controls and risk management procedures. After the global economic crash of 2008, referred to as the post-crisis world, companies have done a risk reset. Finance transformation includes a new focus on enabling corporate strategy, capital agenda, and competitive advantage in the market (Paice and Gronenthal, 2014). The main targets for enterprises are the support for key decisions, eliminating redundancy, and consolidating activities based on an effective framework for management. Cressy, Cumming, and Mallin (2013) illustrated the effect of regulation and financial structure on ethics and governance. Ethical issues may arise where the corporate governance structure an enterprise is less robust.

## **2.4 UNDERPINNING THEORY**

### **2.4.1 Theory of Enterprise Transformation**

Rouse (2005) theory of enterprise transformation states that "Enterprise transformation concerns change, not just routine change but fundamental change that substantially alters an organization's relationships with one or more key constituencies, for example customers, employees, suppliers, and investors. Transformation can involve new value propositions in terms of products and services, how these offerings are delivered and supported and/or how the enterprise is organized to provide these offerings. Transformation can also involve old value propositions provided in fundamentally new ways.

According to Rouse (2005) transformation is driven by experienced and/or anticipated value deficiencies and involves examining and changing work processes which involves how the enterprise is governed and controlled, digitalisation of work processes. This examination involves consideration of how changes are likely to affect future states of the enterprise. Potential impacts on enterprise states are assessed in terms of value consequences. Projected consequences can, and should, influence how investments of attention and resources are allocated. The problem solving and decision-making abilities of management, as well as the social context, influence how and how well all of this happens.

Succinctly, experienced or expected value deficiencies drive enterprise transformation initiatives. Deficiencies are defined relative to both current enterprise states and expected states. Expectations may be based on extrapolation of past enterprise states. They may also be based on perceived opportunities to pursue expanded markets, new constituencies, technologies, among other factors. Thus, deficiencies may be perceived for both reactive and proactive reasons. Transformation initiatives involve addressing what work is undertaken by the enterprise and how this work is accomplished.

Rouse (2006) identified four main drivers for the transformation. First, a new market and/or technology opportunity are observable and transparent. Second, anticipated failure exists due to the market and/or threats. Third, other players' transformation initiatives are visible within the market or from competitors. Last, crises resulting from declining market performance, such as in revenue, profitability, and cash-flow problems, are drivers for finance transformation.

According to CFO Journal (2020) transformation is not the same as change. Transformations also generally lead to changes across some or all the following: people, capabilities, infrastructure and processes, work, governance and decision-making, capitalization, and the company's narrative. Unlike many change efforts, transformations go beyond any one function and require change in talent, resources, capabilities, work, and other processes, and often systems across the enterprise to be impactful.

Empirical studies suggest that transformation can be contrasted with business process improvement. For example, adoption of the principles of Total Quality Management [Deming, 1986] has resulted in many enterprises focusing on their business processes and devising means to continually improve these processes. The adoption of TQM may be transformative for an

enterprise. However, as judged by the definition of transformation provided here, the ongoing use of TQM after implementation is not transformative. The whole point of TQM is to make continual change a routine undertaking.

On a Global scale the finance sector has undergone a major transformation in recent years. The tightening of the legal regulatory framework, an accelerated change in corporate structures, and increasing capital market pressure are examples of current developments that are changing the requirements for businesses. The wide range of questions to be solved in the context of a finance transformation shows that it is more a long-term change process than a short-term project initiative. True regulators of the economy are not exclusively public regulatory authorities, and financial activities increasingly shape and transform the world. The financial sphere contributes to rule setting (Huault and Richard, 2012). Companies with a state-of-the-art finance process can lead this process.

On a Zimbabwean context, there has been major changes in regulation which has been characterised by pronouncement of several statutory instruments which have an impact on the operation of companies in Zimbabwe. Thus, according to Veritas (2019), there are over 100 statutory instruments that were pronounced in 2019 which have a direct or indirect impact on how businesses especially those in the exportation and importation industry operate in Zimbabwe. Furthermore, empirical studies provide that Zimbabwe is one of the Southern African countries which is considered as having high levels of corruption at national level. Thus, using the Transparency International Corruption Perception index (CPI) series according to Makochekanwa (2014), the country's index has been deteriorating since 2000. Since 2001, the index has been below 3 and this indicates tendencies towards very high corruption status. Corruption creates an unfavourable business environment by undermining the operational efficiency of firms and raising the costs and risks associated with doing business. Combining these statistics there is urgent need for businesses operating in Zimbabwe to transform their operations towards improving their governance systems, control structures and compliance with various regulations to enable business competitiveness in a high-pressure environment.

Empirical studies have displayed that companies operating in a high-risk environment where there are high levels of regulations and governance problems must find ways to change the way they operate in a bid survive. Mohr, Büning, Hess, and Fröbel (2010) stated that, in times of

crisis, a company's willingness, and ability to transform is a competitive advantage. Building a positive image of transformation, which starts with the vision and strategy of the company, is essential. Each finance transformation programme has a certain degree of individuality, primarily, it is important to build up the dialogue between the affected stakeholders and a joint mission of business and other related departments.

The trends in technology have pushed for implementation of technology related business models. In this context much of finance transformation studies have tend to focus on digital transformation, thus in their work on finance transformation (Nofer, Gomber, Hinz, and Schiereck, 2017) argued that block chain technology has become one of the financial transformation solutions. Blockchain enables a business model that relies on the network effect of bringing multiple participants to the point of origination to create transparency and a trusted source of truth (Dhillon, Metcalf, and Hooper, 2017; Morabito, 2017).

The challenge which finance has is how does it continue to perform its traditional role, while making this change? The nature of finance transformation will need to be enabled through technology, which is able to promote the necessary collaboration and process optimisation throughout the organisation (Chang, et al, 2014). This technology is primarily underpinned by the ERP system and processes which provide the means of institutionalising world-class best practices, and the business intelligence which supports better real time decision-making (Wulf, 2006). However, transforming finance into playing a strategic role also requires that the CFOs role change to accommodate this change in focus.

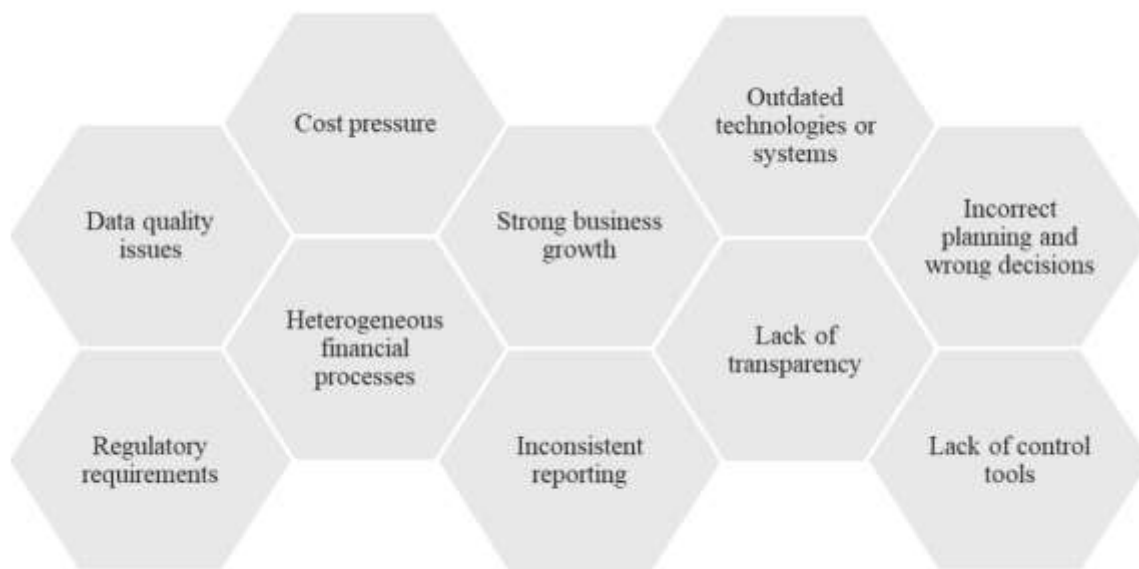
Furthermore, from the review of literature the researcher noted that not much has been provided on how businesses can use or take advantage of improvements in governance, control, and compliance in enhancing finance transformation. More so there is no literature which determines a well-designed finance transformation due to lack of information on conceptualism of finance transformation. This study is meant chiefly to fill this gap, using both secondary and field level primary data obtained from private sector companies operating in Zimbabwe.

## **2.5 IMPORTANCE OF THE SUBJECT**

Due to the increasing competitive pressure (globalisation), pressure on companies to optimise finance processes increase. The most prevalent reasons and drivers of enhancing finance

transformation are described in this section. Finance transformation empowers finance leaders to gain full control over the financial processes (Blackline, 2018). The past decade and a half have seen a significant process of de-industrialisation in Zimbabwe, as the economy almost halved in size in the first decade of this century. Issues such, poor policy climate, increase in cost of importing raw materials, corruption and unstable regulatory environment has significantly undermined confidence within the private sector with the result that many larger companies went out of business. This combined with the high cost-base of the country has greatly reduced the country's competitive position.

According to Banham (2018), the main reason for performing a finance transformation is the higher efficiency and time savings in finance activities using the potential of financial automation. The figure below shows the most prevalent reasons for finance transformation.



**Figure 2.1: Reasons for finance transformation.**

Source: Banham (2018); CIMA (2011); IBM (2016a); Keuper and Neumann (2008); Murphy (2011); PwC (2017).

Having to comply with regulatory and compliance requirements is time consuming (Bragg, 2007). The aim of compliance is to reduce errors and misreporting which may hide fraud. The challenge is that the complexity and volume of transactions, which may need to be scrutinised, may make it more difficult to proactively determine patterns of occupational abuse and fraud,

which may mirror legitimate transactions (Rezaee and Riley, 2010). More so, as organisations expand globally and encounter new legislative requirements as they enter new markets to the need for more financial transparency in reporting. These changes require that finance be able to transform itself from providing the traditional compliance and back-office functions to enabling the organisation and its leadership to make better decisions (Clements, et al, 2004). To achieve this objective, finance must be able to be agile, capable of seamlessly integrating into the organisations and flexible enough to adapt to changing economic and organisational circumstances.

As per studies conducted by Kandwe, et al,(2016) 90% of companies under judicial management in Zimbabwe were failing to service their debts and the image of the business failed in 90% of the companies, this in a way shows the need for turnaround strategies in a bid to avoid closure of companies due to fraud, misappropriation of funds, poor decisions, regulatory penalties and reduction in stakeholder confidence which have since caused a reduction in foreign investments in the country. Thus, studies have revealed the need for improvement in governance, compliance, and control as part of turnaround strategies of ensuring business survival through improved efficiency and effectiveness. By improving both efficiency and effectiveness, finance transformation results in a finance organization that is more aligned with and valuable to the business.

Declining business, which is generally recognised as a major reason for a large transformation, is usually not sufficient. Bothwell, Taylor, Scanlon, and Opseth (2012) stated that finance process improvement is a compelling issue for many enterprises. Growth targets are more aggressive than ever, and this means that finance must provide the best-possible financial analysis in a shorter time to assist operating managers in the selection of growth tactics. Linder (2004) concludes that the most important value given to the company is the increase in financial flexibility.

The main decisive aspects and reasons, according to Groenke and Wenning (2013), are the following:

- Transparency about the current performance of the Finance Department (maximum).
- Focus on control-related information as a single source and appropriate levers to reduce costs and improve service.

- Goal-oriented transformation of the organisation towards a world-leading “best in class” organisation.
- Increasing flexibility and changeability of the organisation.

Transformation programmes are prone to fail because they affect multiple enterprise architecture layers, involve many stakeholders, last several years, and tie up considerable amounts of corporate capital. To handle their complexity, scholars recommend structuring finance transformation projects into portfolios of interdependent, yet smaller and thus manageable projects. So far, little guidance on how to do so exists. To share first-hand experience and stimulate research, it is planned to present and reflect on finance transformation case studies.

## **2.6 DISCUSSION OF EXISTING MODELS OR FRAMEWORKS**

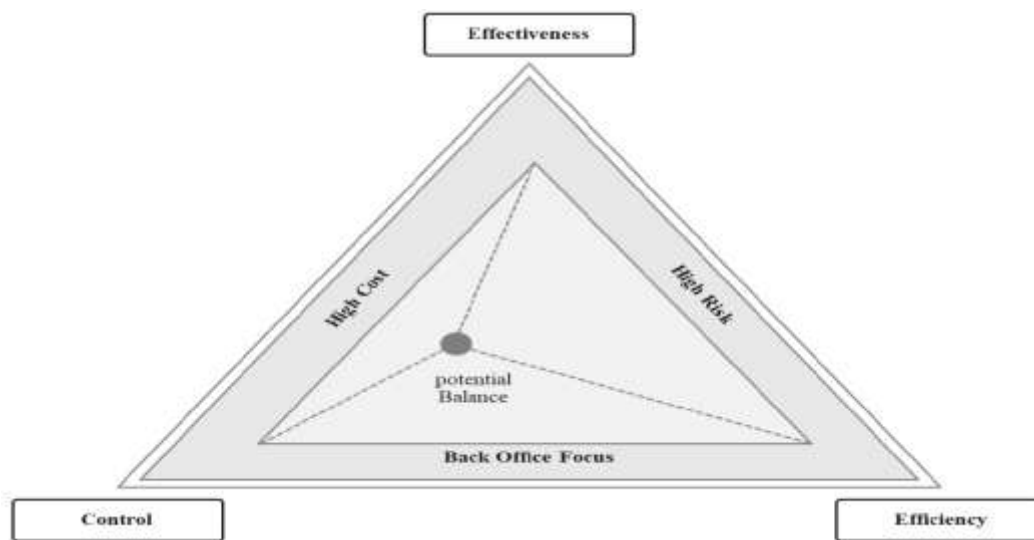
Finance transformation is generally considered to deliver new or modified processes, service functionalities, and analyses that fundamentally change the interactions between the finance functions and the business. Furthermore, it is about leveraging operating models to deliver more efficient and effective finance activities. Building the most effective finance functions is a key concern of organisations and finance professionals. Below is a discussion of the available models on finance transformation.

### **2.6.1 Operating Model**

The design of a global finance operating model supports the enterprise , with a holistic focus on seven main components : policy, process, performance measurement, organisation, data, people, and technology (Greig, 2007; Letarte and Gittleson , 2009; Procházka, 2017; Silvers, 2010). Thus, based on this model the fundamental point is to simplify work, to eliminate work which has a lot to do with creating the most effective and efficient organisational design.

The transformational aspects focus on developing a larger vision for finance operations to transform the role into that of a more effective business partner. At this point it is also important to consider that the operating model although it is organisation based it is designed to achieve the same objectives although variables can be adjusted based on the organisation needs. The key dimensions, which various finance solutions aim to improve upon are illustrated in Figure 2.6.1





**Fig. 2.2 Key dimensions of finance transformation.**

Source: Adapted from Chadha, Corson, Dhingra, and Akaishi (2016).

Finance must balance its three key priorities: cost reduction, compliance requirements, and efficient operations. To be effective in driving forward the business (effectiveness), to promote strong governance and control in the organisation (control), and to be efficient in the operation of the finance (efficiency), the potential balance must be carried out. Too much control will result in lower effectiveness and efficiency. Transformation programmes are prone to fail because they affect multiple enterprise architecture layers, involve many stakeholders, last several years, and tie up considerable amounts of corporate capital. To handle their complexity, scholars recommend structuring business transformation projects into portfolios of interdependent, yet smaller and thus manageable projects. So far, little guidance on how to do so exists. To share first-hand experience and stimulate research, it is planned to present and reflect on finance transformation case studies and through devising working models which can be tested on a practical basis.

The effectiveness will include driving the business forward (general), delivering effective finance support service to business units, providing timely and accurate reporting and business information, and strengthening business decision making throughout the organisation. The challenge is to find the potential balance within the triangle problem, having sides unequal in

length, to cover aspects such as promoting strong governance and control in the organisation, designing an appropriate finance framework, and managing finance risk across the organisation.

### **2.6.2 Financial Transformation Framework**

Based on research, Schroder (2019) managed to come up with an integrated and holistic framework for finance transformation which addresses elements of the operating model, people, processes, technology, governance, risk, and compliance with the aim of generating greater effectiveness. The finance transformation framework contains guiding principles and a complete set of inter-related elements - structure, scope, and time - covering all aspects of a company's operations.

This framework recognises the fact that, implementation of a finance transformation needs a combination of both, the organisational excellence and operational excellence. The organisational excellence aims at developing and optimising the finance organisation. The operational excellence aims at performance improvement and service orientation in transactional processes and in efficiency driven processes. The strategy for the concept of operations is designed to increase efficiency and business insight. The organisation and governance contain beside the centralised and adaptable governance model also the future organisation for successful finance transformation.

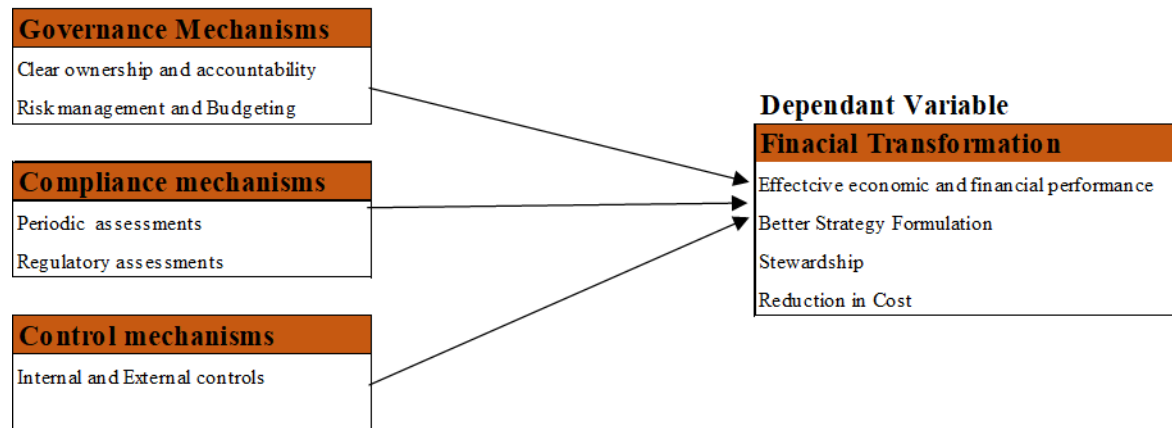
The framework also emphasises on an integrated technology platform which embrace a single source of truth and the process standardisation, data governance, and finance competency. Based on the framework this enables performance management and career progression of those engaged in the new finance platform.

## **2.7 DISCUSSION OF KEY VARIABLES**

The most cited variables driving finance transformation include technology, governance, compliance, control among other factors. These variables play an important role in enhancing financial transformation, thus due to multiple risks and intensification of regulation, finance transformation has moved up on the organisational agenda for enterprises (Hollander, 2013). The study will focus on governance, compliance and control as independent variables that can be used to enhance finance transformation. The interaction of these three variables and a well-

aligned governance structure minimises the risk that a finance transformation will not achieve the desired benefits.

### Independent Variables



**Figure. 2.3: conceptual framework**

**Source : own work**

### 2.7.1 Governance

Governance refers to the structures, processes, rules, and traditions that determine how people in societies make decisions and share power, exercise responsibility, and ensure accountability (Folke et al., 2005; Lebel et al., 2006; Cundill and Fabricius, 2010). This includes multiple possible modes of policy and decision making for example hierarchical, market, network, and multiple possible actors such as government, industry, research, civil society. Governance achieves at least two primary goals: to create value for the corporation and to create transparency in organisational operations (Lamm, 2010).

In their final report Davis and Vitoria (2016) on the drivers and implications of structural shifts in the private sector in Zimbabwe stated that, robust corporate governance appears to support companies in resisting corruption and political predation. It provides the company and its staff with clear guidance on how to go about doing things, and about which behaviours are, and are not, acceptable. For a company to be resilient it needs more than a strong leader. It needs to have a team of the right people who are willing and able to work within the ethos set by their

company's corporate governance structures. A key element of this is the need to have robust financial systems so that the management team has a clear understanding of the business.

To achieve such situation, the private sector needs to proactively engage the government and seek for the support from the civil society and the media to push for better corporate governance, in which transparency is promoted, corruptions are seriously dealt with and a level of playing field is created. According to the Global Compact Network Indonesia, good governance is a critical enabling factor. Good governance principles, such as transparency, accountability, and responsiveness, therefore, should be promoted as fundamental values to guide efforts to achieve sound finance transformation.

### **2.7.2 Compliance**

According to KPMG (2019) a changing business environment, tough economic and competitive conditions, evolving risks and cost pressures on financial institutions have led to increasing pressure on compliance functions to re-align to business strategic goals and to transform into a more value-add service line that can deliver more effectively and efficiently. Lack of clarity over the mandate and role of compliance, how it fits within the three lines of defence, and the relationship between compliance and the business. There is need to transform from a function focused on preservation, conservatism, and remediation to one that, in addition to maintaining regulatory compliance and capital conservation, operates in a more strategic and predictive capacity.

Compliance needs to keep up with the pace of change here, to deliver compliance with information technology security, the control, security and privacy of data, artificial intelligence, cyber security, outsourcing, anti-money laundering, regulatory reporting, and associated obligations. The Zimbabwean regulatory environment is associated with numerous players and rapid changes in regulations, non-compliance to regulation has since resulted in several private sector companies being heavily penalised beyond their survival. There has been increased focus on risk, compliance and controls, multiple compliance requirements, limited visibility of the enterprise-wide risks; manual processes cultivate a silo-based approach to compliance; increased risk of fines and delays and high cost to establish and maintain compliance (KPMG, 2016), enhance compliance saves as an important aspect in the transformation process.

### **2.7.3 Control**

This looks at aspects which have to do with internal and external procedures which guides an organisation's operations. The challenge mechanisms are about having the appropriate balance of controls and the assurance that they are not constraints to the business as well as having the best fit of value-added activities from transactional finance processes. Research also cites that too much control may result in lower effectiveness and efficiency.

Control acts as a line of defence against practices such as fraud and error, thus a strengthened control environment through documented, centralised, efficient, and standardised processes is one of the success factors for an effective process ownership and governance (Ernst & Young, 2015). According to the Global Economic Crime Survey (PwC, 2018), there is a growing improvement in the effectiveness of internal controls for detecting economic crime. While global process ownership may not be universally adopted, the early signs are that organisations that invest in these roles are likely to steal a march on competitors through higher productivity, better visibility of controls, and lower levels of fraud (Spanicciati, 2014). Hence having internal control, regulatory compliance, and risk management functions incorporated in the operating model help maintain control and compliance.

## **2.8 LITERATURE SYNTHESIS AND CONCEPTUAL FRAMEWORK/MODEL**

As highlighted in literature review successful finance transformation rebuilds finance to work closely with other business units to deliver actionable information, analyses, and ultimately, advice with as few resources as possible while adhering to the policies and controls established for the organisation. This also describes a finance function operating at the optimal efficiency level. However, most of the academic literature is still of a visionary and theoretical nature, thus there is still lack of information in terms of design elements for successful finance transformation. Furthermore, limited information with regards to how a finance function model incorporating governance, compliance and control aspects operates in practice.

Literature has also reviewed that contrary to conventional wisdom, technological investments alone will not transform a finance organisation or instantly make companies more efficient.

Thus, although research does not provide a well-crafted model based on governance, compliance and control it display the need for governance, compliance, control considerations, robust plans, and preparation to enable end-users to strengthen the return on technology investments.

Business literature on finance transformation is abundant, and most of what is available focuses on the drivers of finance transformation, the “Why,” or the results of finance transformation. However, there is very little available that addresses the challenges of executing finance transformation, the “How” Fred Hargrove (2013). Furthermore, the areas of finance transformation are mentioned and described, but no detailed information exists regarding how to improve finance transformation and their activities. Hence, the development of a framework for finance transformation is considered as important part for the transformation journey.

Apart from the above, in as far as the researcher’s knowledge from the review done, there are no recommendations in literature explaining how to rapidly assess the finance function and to develop an actionable vision, strategy, and blueprint to address the CFOs’ mandate. There is no activity list to be considered when formulating the strategy and finance transformation roadmap. This maps the need for studies to provide for activity list and recommendations which help in assessing the finance function in a bid to address these gaps.

Literature provides that finance must balance its three key priorities; cost reduction, compliance requirements, and efficient operations this shows that there is too much focus on CFO level and expectation to reduce cost rather than being innovative. Thus, it is imperative that research in these areas is conducted to provide organisations with workable frameworks that can be adopted to ensure finance transformation success and business survival. Zimbabwean private sector is in much need of such models to assist them to overcome existing economic challenges.

The figure below represents the financial activities and issues that are the ones with the most critical gaps to close in finance transformation. The two axes are importance and the performance gap for finance activities and issues (Loughridge, 2010).

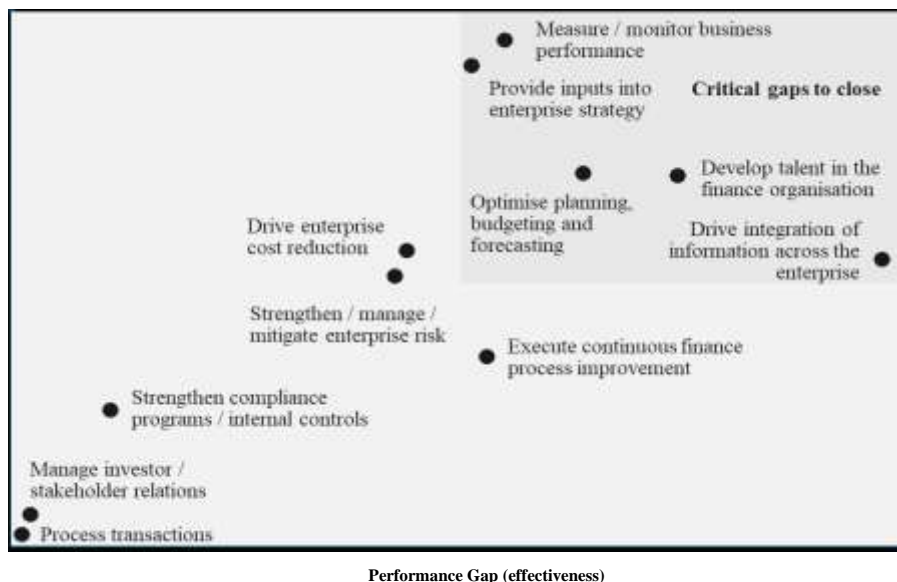


Figure 2.4: Key performance gaps from CFO study.

Source: IBM IBV CFO Study, 2010.

## 2.9 CHAPTER CONCLUSION

A good design for finance transformation may lead to a good implementation afterwards. Literature on design principles for finance transformation is limited. For a successful finance transformation, planning and design is a key element in achieving the goals. Design guidelines with sets of recommendations towards good practice in design are helpful and necessary to specify the transformation design lever. A strong design may lead to strong trust to manage the finance transformational journey successful.

This chapter provided insights and debate on the development of finance transformation, the reasons for the need of finance transformation and the various ways to improve finance transformation. Thus, considering the current state of the Zimbabwean economy and state of regulation which govern the Zimbabwean private sector there is much need for private sector companies to enhance their finance transformation efforts through governance, compliance, and control mechanisms. The study has also established that governance, control, and compliance play an important role in the finance transformation process.

In this chapter the researcher reviewed key literature contributions extend over the last two decades and examined a few models of finance transformation existing to date. It further

examined the importance of the study and provided for the role of governance, control, and compliance in improving finance transformation. The study also managed to find out that there is still an information gap on the conceptualisation of finance transformation, furthermore there is no prescribed list, recommendations and workable models to which organisations may refer to when there is need to conduct a finance transformation project. This shows that there is superior need to develop workable models based on finance transformation to help private sector organisation in conceptualising finance transformation. In this context the researcher supports to close the research gap by applying appropriate methodology and methods, which are described in detail in the next chapter.



## **CHAPTER THREE: RESEACH METHODOLOGY**

### **3.1 INTRODUCTION**

Collis and Hussey (2009) consider methodology as the overall approach to the entire process of the research study. The research methodology focuses on investigating the research problem and therefore varies with problem nature (Remedy, Williams, Money, and Swartz, 1998). Thus, identifying the most appropriate methodology is important, not only to ensure that the research objectives are met but also to establish the credibility of the work. Since research strategy, philosophy, approach, and technique are inherent components of the methodology, it is important to have consistency between research questions and approaches (Saunders, Lewis, and Thornhill, 2012).

This chapter presents the research methodology. According to Saunders et. al. (2012), the two approaches available for research is inductive and deductive approach. The former being the invention of theory while the latter is the application of theory. This research aimed at deducting theories and hypothesis in application to different scopes. The researcher made use of quantitative values in describing the phenomena of the study which is deductive in nature.

### **3.2 RECAP OF RESEARCH OBJECTIVES, QUESTIONS AND HYPOTHESIS**

The main objective of this study is to determine ways of enhancing finance transformation through governance, compliance, and control mechanisms in Zimbabwe private sector companies. The study is also aimed at investigating and determining the governance, compliance, and control mechanisms that enhances finance transformation and constructing a finance transformation framework thereafter with the aim to improve financial and operational performance to meet the expectations of owners, executive management, and shareholders within private sector companies in Zimbabwe.

Questions being answered by the study involve; which governance mechanisms can be employed to enhance finance transformation, what are the compliance mechanisms that can be used to enhance finance transformation, which control mechanisms can be employed to enhance finance transformation and what are the possibilities and limitations that exist about the transformation to an efficient financial platform?

### **3.3 RESEARCH DESIGN**

The research design is the investigators overall strategy for answering the research question (Zikmund, 2003). It contains the data collection, measurement techniques, and the analysis of data. The deductive part of the research implies testing of theories. The researcher's aim is to construct a framework to enhance the views of various stakeholders and to contribute to the finance practice. Research design comprises the choices and planning of data collection and analysis, based on the conceptual model. Research design is the structure of research that links the empirical data to be collected to the study's initial research questions, to the analysis and ultimately to its conclusions. It helps to ensure that the research questions are answered. Since the research aim is to construct a framework to enhance financial transformation the researcher will take an explanatory approach to give confirmatory or conclusive results.

#### **3.3.1 Research Philosophy**

Research philosophy reflects significant assumptions about the ways that researcher views the world. Each philosophy is often referred to as a paradigm and can be defined as a "standard belief system" or "worldview" that guides the investigator, and considers three aspects of paradigms: ontology, epistemology, and axiology (Koltko-Rivera, 2004). The research philosophy is the science concerning the mindset regarding how data about a phenomenon should be gathered, analysed, and used (Blaxter et al 2013). It is the approach to understanding and writing the knowledge that is gained by conducting the research. Thus, researchers need to figure out their assumptions about the nature of reality and what it means to be human (ontology) and the nature and purpose of knowledge (epistemology) before deciding which methods might be appropriate.

Ontology is the researcher's view of the nature of reality. Which assumptions are made about the way in which the world works? Ontology is the study of existence and, in this context, is concerned with what the world discerns to be real. Reality is a difficult concept but is concerned with the construction of existence in several objects (Ryan, et al 2002). Researchers, as realists try to find causes, effects, and explanations and predict events and test hypotheses and theories (Saunders et al., 2012) and seek to understand and describe rather than explain (Grix, 2010). From a realism point of view, reality is independent of conceptual schemes and perceptions.

Truth is driven and exists through individuals' correspondence to reality (Remenyi et al., 1998). Knowledge comes through human interactions.

Finance transformation includes a new focus on enabling corporate strategy, the capital agenda, and competitive advantages in the market (Paice and Gronenthal, 2014). The truth can be captured if the researcher uses appropriate methods and concepts. Explanatory finance models allow information to be constantly updated, reinterpreted, or extended. The reality exists independently of human thoughts and beliefs or knowledge of their existence and can be interpreted through social conditioning, which is a characteristic of a critical realist. Realism research targets finding causes, effects, and explanations and tries to test developed hypotheses by making predictions and combining it with a qualitative confirmation, finding reasons and incorporate critical reflection.

Epistemology is about the nature of knowledge and how one can acquire and understand knowledge. It is about the researcher's view on what constitutes acceptable knowledge (Saunders et al., 2012). What is the relationship between the knower (the researcher) and the know(able)? In the fast-changing economic environment, the development of solutions and continuous adaption is indispensable. Knowledge is shaped by data, evidence, and rational considerations (Creswell, 2014). The scientific paradigm is foundational, as scientific propositions are founded on data and facts (House, 1991). The discoverable knowledge is absolute and value free. It is not situated in a political or historic context. A deductive and inductive approach is undertaken.

The researcher's view on role of value/ethics in research methodology (Dudovskiy, 2016; Saunders et al., 2012) is axiology. The researcher's axiology is of managerial nature. The value and contribution to practice is reasonable and appropriate. The aim of the thesis is to inform CIOs, CFOs, and other finance stakeholders. The researcher is independent from the data and maintains a closer objective stance instead of being subjective.

### **3.3.2 Research Approach**

Creswell (2014) asserts the importance of illustrating the research approach as an effective strategy to increase the validity of the research. The key research concept for the study is to perform a survey and collect a variety of experienced statements of people who are professionally related to finance in terms of agreement and importance to measure indicators.

The purpose of the survey and the overarching research question is to find what determines a well-designed and successfully performed finance transformation. The idea is to explore some of the most important variables (governance, compliance, and control) and to assess their influence on the outcome of the transformation. A finance transformation framework will be constructed based on the quantitative results, supported partly by the literature and the experiences of the researcher in his professional career.

### **3.3.3 Research Strategy**

The research strategy may include, experiments, ethnography, case study, action research, grounded theory, and surveys, among others. The researcher has adopted survey as the research strategy to gain the answers of finance members of the target audience for measurement. The researcher intends to gain a wide range of responses from a variety of the target population. The researcher will make use of structured questionnaires or interviews to collect data. Interviews will involve both face to face, group interviews and telephone interviews for those respondents that may not be available for face-to-face interviews.

A survey is any activity that gathers information in an organised and methodical style about characteristics of interest from some or all units of a population using well-defined concepts, methods, and procedures, and compiles such information into a useful summary form (Ministry of Statistics Canada, 2010). It is any action that assembles information in an organised and methodical manner. Carrying out a survey is usually motivated by the need to study the characteristics of a population, build a database for analytical purposes, or test a hypothesis. The researcher's survey consists of several interconnected steps which include defining the objectives, selecting a survey frame, determining the sample design, designing the questionnaire, collecting, and processing the data, analysing, and disseminating the data and documenting the survey.

There are benefits of using a survey as a research strategy, for example, it allows easy comparison when analysing the results, and the researcher can gain large amounts of data. Furthermore, surveys are used to assess needs, evaluate demand, and examine effects (Salant and Dillman, 1994). The survey allows identifying key activities, key factors, and associated aspects towards an efficient finance transformation. However, there are a few drawbacks, such as the lack of depth in the answers and being unable to find the reasons behind respondents' choices.

### **3.4 RESEARCH INSTRUMENT**

The research tools consist of a structured questionnaire (Appendix- “A”). A questionnaire is mainly a group or sequence of questions designed to obtain information on a subject from a respondent. The questionnaire was created based on the governance, compliance and control mechanisms that can enhance finance transformation in Zimbabwe private sector companies. Variety response formats were used in the questionnaire, and these include multiple choice, ranked, free choice and Likert's Scale.

#### **3.4.1 Questionnaire Development**

Crafting a good questionnaire remains an art requiring ingenuity, experience, and testing. If the data requirements are not properly transformed into a structured data collection instrument of high quality, a ‘good’ sample can yield ‘bad’ results. Part I of the questionnaire is designed to elicit the demographic information related to respondents. Part II of the questionnaire is designed to acquire or gather knowledge on the various governance, compliance, and control mechanisms that respondents may be using to enhance their finance transformation process. To ensure that questionnaire was administered well, and results are correct, a pilot study was carried out by administering to 12 participants made up of Chief Finance Officers, directors and Finance heads that assisted in coming up with the direction to modify the questions and explanations of technical words.

### **3.5 POPULATION SAMPLING TECHNIQUES**

Target population refers to all the members who meet the criterion specified for a research investigation. A sample is a subset of the population. It comprises some members selected from it. In other words, some, but not all, elements of the population form the sample (Sekaran and Bougie, 2016). The members of the sample are called respondents or participants. The procedure through which a sample is taken out from a population is known as sampling. In research investigations involving several elements, it would be practically impossible to collect data from, or test, or examine, every element. Even if it were possible, it would be prohibitive in terms of time, cost, and other human resource thus only a few elements are selected for the assessment.

### **3.5.1 Population**

The study population is the collective of study units for which the values of the variants of interest could possibly be determined (Saunders et al. 2012). The population of the study comprised the management of the private sector companies', finance managers, judicial management managers, risk managers, and IT managers of 65 companies in Zimbabwe. Therefore, the target population for this study is 240 respondents.

### **3.5.2 Sample Frame and Size**

The study sample was drawn from the management of private companies in Zimbabwe. The population comprised of approximately 240 managers. From this population, the researcher used the Yemane formula to calculate the sample size  $n = N / (1 + N(e)^2)$

**n = sample size**

**N = population size (the universe)**

**e = sampling error (usually .10, .05 and .01 acceptable error) ^ = raised to the power of 2**

**Therefore  $n = 240 / (1 + 240(0.05)^2) = 150$**

**n=150.**

### **3.5.3 Sampling Methods and Techniques**

There are two types of sampling methods that is probability sampling and non-probability sampling. Probability sampling means that every member of the population has a chance of being selected, it involves random selection, allowing for statistical inferences about the whole group to be made. Non-probability sampling involves non-random selection based on convenience or other criteria, allowing you to easily collect initial data. In a non-probability sample, individuals are selected based on non-random criteria, and not every individual has a chance of being included. This type of sample is easier and cheaper to access, but it has a higher risk of sampling bias, and cannot be used to make valid statistical inferences about the whole population. This study made use of probability sampling method as it is associated with quantitative studies.

Since the target population is large and diverse the researcher made use of stratified random sampling technique to collect quantitative data. This sampling method allows for selecting each unit from a group of the targeted audience while creating a sample. It is appropriate when the population has mixed characteristics, and there is need to ensure that every characteristic is proportionally represented in the sample. Thus, subgroups made up of management, chief finance officers, directors', judicial management managers, risk managers, finance, and IT personnel and policy makers were determined and from these subgroups the researcher randomly selected the respondent to be approached.

### **3.6 QUESTIONNAIRE ADMINISTRATION**

The study sort to collect primary data using a questionnaire prepared. Due to Covid 19 pandemic, the researcher used online questionnaire administration. This was achieved through google forms. A total of 150 google forms were administered to participants. **The researcher requested the respondents to complete the questionnaire within 10 days and a deadline was set. The researcher kept on reminding the respondents to fill the questionnaire. After the cut-offdate, the researcher collected the questionnaires, and 90 questionnaires were collected giving a good response rate of 60%.**

### **3.7 DATA PROCESSING AND ANALYSIS**

According to Gelo, Braakmann and Benetka (2008) data analysis refers to the process of reducing the collected data into summaries and deducing patterns through application of statistical analysis techniques. Glenn (2010) state that analysing data involves interpretation of research findings in relation to research questions and checking if findings are consistent with research hypotheses. Findings of this research were presented using tables, graphs, and charts to concisely outline results of the study. The data were collected using a survey questionnaire, captured, and analyzed using SPSS Version 20. The descriptive statistics calculated in form of frequencies and percentages for the different variables and presented in form of frequency tables to make understanding easy. Presentation of data using graphs and pictures promotes effective communication and makes information easier to understand (Garbarino and Holland, 2009). The researcher carried out numerous data analysis procedures including normality test, regression and correlation analysis using SPSS. The researcher performed the regression analysis and tested the hypotheses to either accept or reject the hypotheses. The researcher then discussed the results and

compared them with theory. The problem formulation was answered in the conclusion chapter, limitations and suggestions for future research were proposed.

### **3.8 DESCRIPTIVE STATISTICS ANALYSIS**

Descriptive statistics in form of frequency distributions and percentages were used by the researcher to determine the demographic information and the level of agreeing or disagreeing on each of the questions.

#### **3.8.1 Correlation Analysis**

The correlation analysis was done to establish the degree of association between independent and the dependent variables. The analysis was of each independent variable (Control mechanisms, governance mechanisms and compliance mechanisms against the dependent variable finance transformation. When carrying out the correlation analysis, the researcher looked at four aspects which are direction, magnitude, significance, and multicollinearity. Correlation of variables ranges from a -1 for the perfectly negative relationship to a +1 for perfectly positive relationship and 0 shows that no relationship exists. For a strong significant correlation to exist between variables, significance level should be less than 0.05. Multicollinearity tests whether the independent variables are independent of each other. If VIF is greater 10 it means, there is multicollinearity.

#### **3.8.2 Regression Analysis**

The researcher, after establishing the strength of correlations between variables, proceeded to conduct regression analysis. Regression analysis was carried out to establish the cause-and-effect relationship between the independent and dependent variables in the study. A linear regression equation used in this study was as follows.

The derived regression model for NPL was found to be as follows.

$$Y = f(x) \tag{1}$$

$$Y_i = B_0 + B_1X_1 + B_2X_2 + B_3X_3 \tag{2}$$

Where

Y = Dependent Variable (Finance transformation)



X = Independent Variable (Control mechanisms, compliance mechanisms and governance mechanisms)

### **3.9 RESEARCH LIMITATIONS**

Given the time scale of the research, it was expected that the respondents had to complete the questions promptly, some of which had to be followed up to ensure due completion. Furthermore, the study was also affected COVID-19 pandemic regulations which made most of the target were responds unreachable. The researcher had to resort to internet-based communication platforms such as google forms to distribute questionnaires to the respective target respondents. However, these did not guarantee full participation from the respondents siting lack of a secure internet connection and internet data to facilitate a stable long interview.

More so, considering the time frame and pandemic regulations the primary data for the study was gathered in a time frame of two months and might represent only a mindset at this certain point of time and the current economic condition. Due to the limited capability of the researcher to also administer other research methods such as qualitative research, they were various limitations to this quantitative research. It would have been more informative to use qualitative research and unstructured questionnaires with open ended questions.

### **3.10 VALIDITY AND RELIABILITY**

Reliability should be observed by the researcher throughout the entire research process. Reliability can be expressed if methodological coherence exists, it is about consistency, that for instance the items in the questionnaire were consistently measuring the constructs in the model. Reliability is therefore the extent to which a measurement yields the same answer each time it is used.

According to Creswell (2014), one of the main reliability strategies is to define consistent sets of questions for the research survey. The researcher determines a set of measurable questions linked directly to the research objectives. Reliability is also assured by careful selection of the survey respondents, who are experts in the field. Given the quantitative nature of the study, the researcher used a statistical tool SPSS where tests such as Cronbach Alpha were employed to check for reliability. For data to be reliable, it must have a Cronbach's Alpha coefficient of at least 0.7.

The validity of research can be described as an “approximation of truth of a given proposition or conclusion” (Trochim, 2000, p. 12). Creswell (2014) listed some strategies for ensuring validity that have been used by various researchers and adopting at least two in any given research is recommended. The first strategy is collaboration. Moreover, the researcher consulted external industry-specific knowledge to review the survey questions and examine the process (research steps, decisions, and activities) and the results of the study to determine the accuracy. The second strategy is the sample, which is sized appropriately to achieve statistically significant and reliable results.

Thus, to ensure validity within the study the researcher targeted 150 respondents and applied stratified random sampling to target participants who were in the best position to represent or have knowledge of the research topic. The researcher sort guidance from the supervisor who is an expert in the field of research to make sure that the instrument complies with validity requirements. A pilot study was also conducted to ensure validity of the research instrument through checking issues to do with double barrelled questions and to clear ambiguity. In addition to that the research instrument was adapted from previous similar studies questionnaires which would have been tested for validity and unit root. All these ensured refinement of the research instrument.

### **3.11 ETHICAL CONSIDERATIONS**

Ethical issues are important in undertaking research because the research might involve the violation of human rights or might result in harming the informants. The researcher took into consideration ethical issues and values to obtain maximum attention and valuable information from the respondents. Privacy and anonymity of respondents are of a paramount importance. The questions were clearly structured, and the cover letter explicitly stated that responses were treated confidentially. Respondents were not being coerced to participate in the survey or neither was there any existence of undue influence. The researcher was granted approval by management before embarking on data collection.

In conducting the research, the researcher informed participants about, the purpose of the research, expected duration and procedures. Furthermore, the researcher also notified the research participants on their rights to decline to participate and to withdraw from the research once it had started, as well as the anticipated consequences of doing so. Reasonably foreseeable

factors that may influence their willingness to participate, such as potential risks, discomfort, or adverse effects. This was achieved through the ethics consent (Annexure 2) form which was completed by each participant before their proceeding to participate.

In addition, the researcher also ensured that participants are notified of any prospective research benefits, limits of confidentiality, such as data coding, disposal, sharing and archiving, and when confidentiality must be broken. Incentives for participation. This promoted for the aims of research, such as knowledge, truth, and avoidance of error within the research process whilst enhancing collaborative work between the researcher and the participants and protecting the participants confidentiality.

### **3.12 CHAPTER SUMMARY**

This chapter details and provides justification for the research methodology employed by the researcher, it also provides insights on the target respondents and how data for the study was collected. Thus, structured questionnaires were used to collect primary data with the aim of verifying the conclusions drawn from the empirical research study and extending the interpretation of the key findings. It is also worth mentioning that the identification of insight into the finance transformation issue from the perspective of participants was requested at the end of the interview in a bid to enhance reliability and validity of the study. More so this chapter also provided a summary of the research limitations that the researcher encountered during data collection and the ethical considerations that guided data collection. Considering that the study is of a quantitative nature collected data was analysed using SPSS to facilitate for data interpretation which forms the context of the next chapter.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 INTRODUCTION**

This chapter presents results of the research and the discussion of the findings. Data was collected from employees of private companies in Zimbabwe who were in management positions, using a structured questionnaire. Sample analysis, response rate and demographic characteristics are presented first in this chapter followed by detailed analysis of the data collected. Detailed analysis of the data collected presented reliability tests, validity tests, normality test as well as correlation analysis and regression analysis.

### **4.2 RESPONSE RATE**

The previous chapter indicated that a sample of 150 managers from 65 private companies in Harare, Bulawayo, Masvingo and Zvishavane was used. Out of the 150, 90 questionnaires were returned, giving a response rate of 60.6%. Johnson and Wislar (2012) recommends a response rate of 60% and for any research, therefore, the 60.6% response rate is a good result.

### **4.3 DESCRIPTIVE ANALYSIS**

#### **4.3.1 Demographic Characteristics**

Over and above the measured variables, Schwartz, (1957) and Field (2013) argue that there may be unexplained variations of the responses that may be because of the varying demographic data. It is upon this basis that the research also explored the demographic characteristics of the

respondents. The following demographic variables were described, work position, work experience, educational qualifications, and number of employees.

#### **4.3.2 Work Position**

Table 4.1 below shows the distribution of the managers who participated in the study. The results indicate that 33.3% were finance managers, 24% were risk managers, 16% were judicial managers, 22.2% were IT managers.

**Table 4.1: Work position**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid FINANCE MANAGER	30	33.3	33.3	33.3
IT MANAGER	20	22.2	22.2	55.6
JUDICIAL MANAGER	16	17.8	17.8	73.3
RISK MANAGER	24	26.7	26.7	100.0
Total	90	100.0	100.0	

At least managers from all professions targeted by the researcher managed to participate in the study. This allowed for various opinions on finance transformation. The participants had knowledge about finance transformation in their organisations.

#### **4.3.3 Highest Level of Education**

The respondents were asked to about their highest level of education. Most of the managers had attained degrees and post graduate degrees (see Table 4.2). This is shown by 55.6% of the respondents who had attained postgraduate degrees as their highest qualification, followed by 37.8% with first degrees. Only 6.7% had diplomas.

**Table 4.2 Highest level of education**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	DEGREE	34	37.8	37.8	37.8
	DIPLOMA	6	6.7	6.7	44.4
	POSTGRADUATE	50	55.6	55.6	100.0
	Total	90	100.0	100.0	

The result from figure shows that managers who responded to the study were educated enough to appreciate in finance transformation in their organisation.

#### 4.3.4 Work Experience

Work experience determines the knowledge that respondents have on the issue of structure and strategy implementation.

**Table 4.3: Work experience**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 YEARS	23	25.6	25.6	25.6
	3-5 YEARS	30	33.3	33.3	58.9
	5-8 YEARS	14	15.6	15.6	74.4
	8-10 YEARS	6	6.7	6.7	81.1
	ABOVE 10 YEARS	13	14.4	14.4	95.6
	LESS THAN A YEAR	4	4.4	4.4	100.0
	Total	90	100.0	100.0	

The table above shows that 25.6% of the respondents had 1-3 years of work experience 33.3% had 3-5 years of work experience, 15.6% had 5-8 years' work experience, 6.7% had 8 to 10 years work experience, 14.4% had above 10 years while 4.4% had less than a year wok experience. The results show that most of the employees had reasonable period in their organisation for them to understand finance transformation in their organisation.

#### 4.3.5 Industry

The respondents were asked about the industry they work in to ensure that results obtained were distributed across different private sector industry companies. Table 4.4 summarizes the distribution of respondents across private sector industries.

**Table 4.4: Industry**

	Frequency	Percent	Valid Percent	Cumulative Percent
AUTOMOTIVE	8	8.9	8.9	8.9
ENERGY AND UTILITIES	13	14.4	14.4	23.3
MANUFACTURING	21	23.3	23.3	46.7
OTHER	20	22.2	22.2	68.9
RETAIL AND DISTRIBUTION	18	20.0	20.0	88.9
TELECOMMUNICATIONS	10	11.1	11.1	100.0
Total	90	100.0	100.0	

The table above shows that 8.9% of the respondents are from the automotive industry, 14.4% from the Energy and Utilities industry, 23.3% from the manufacturing industry, 22.2% from other industries, 20% from retail and distribution industry while 11.1% were from the telecommunications industry. The results show the study managed to obtain responses across most of industry sectors, facilitating for more independent responses to be solicited.

#### 4.3.6 Number of Employees

The size of the company may affect the finance transformation in an organisation. The results on the number of employees for the companies that participated are depicted below.

**Table 4.5: Number of employees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-250	9	10.0	10.0	10.0
1001-5000	38	42.2	42.2	52.2
251-1000	24	26.7	26.7	78.9
5001-10000	12	13.3	13.3	92.2
5001-5000	1	1.1	1.1	93.3
Above 10000	6	6.7	6.7	100.0
Total	90	100.0	100.0	

The majority (42.2%) of the respondents indicated that had 1001-5000 employees within their organisation, whilst 26.7% indicated that they had 251-1000 and 13.3% indicated that they had 50001-10000 employees. Furthermore 10% indicated that they had 1-250 employees with the least being 6.7% who indicated that they had above 10000. Thus, based on the survey results most of the companies have employees that are above 250 these companies fall under the category of large private sector companies.

According to Murphy (2011) the minimum number of Full-time Equivalents (FTE) for finance transformation revolves from hundred to thousand FTE's or more, while the typical programme length varies between five and ten years. Moreover, 63.3% of all respondents (see Table 4-5) have indicated that their company has more than 1,000 employees; thus, the respondents have fulfilled the conditions for a finance transformation.

#### 4.4 DATA TRANSFORMATION

The study established the perceptions of the respondents on the three independent variables of the study that is Governance, Compliance, and control mechanisms. A 5-point Likert scale was



used measure the level of agreeing where 1=strongly disagree, 2= Disagree, 3=neutral, 4 =Agree, 5=strongly agree. The Likert scale values were computed in SPSS in numeric form. The final values of each variable were computed by adding each value of the Likert scale questions to form a single variable. This was done on each variable come up with single variables.

## 4.5 RELIABILITY AND VALIDITY

### 4.5.1 Reliability

Reliability tests were conducted with SPSS to calculate Cronbach's Alpha which is the index reliability to check reliability of all research variables in the questionnaire. The results are presented in table 4.5 below.

**Table 4.5: Overall reliability**

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.969	30

Overall reliability of all variables with 0.9969 Cronbach Alpha is shown in the table above indicating that it was generating trustworthy data. Takakol and Dennick (2011) asserts that an acceptable Cronbach Alpha should be in the range 0.7 to 0.95. This implies that all the questions on the research instrument were closely related, consistent and measuring the same concept to produce reliable data as a result the questionnaire can be relied on to yield consistent results for future studies. The individual variable's reliability test results are presented in table below.

**Table 4.6: Variable reliability**

<b>Item-Total Statistics</b>				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Governance	10.9195	4.999	.822	.893
Compliance	10.7120	5.803	.770	.915
Control	10.9550	5.017	.874	.876
Finance transformation	11.2194	4.543	.830	.896

Table 4.5 above shows reliability results on an itemised basis. All the variables result have Cronbach's Alpha greater than the 0.7 threshold implying that the respective questions explaining the respective variable were consistently measuring the same variable to produce data that is reliable. This implies that the research instrument was reliable and dependable in giving consistent results which enhance the accuracy of the assessments and evaluations. After ascertaining the reliability of the research instrument, the researcher proceeded to ensure validity of questionnaire as presented by the next segment.

#### 4.5.2 Validity

The researcher sort guidance from the supervisor who is an expert in the field of research to make sure that the instrument complies with validity requirements. A pilot study was also conducted to ensure validity of the research instrument through checking issues to do with double barrelled questions and to clear ambiguity. All these ensured refinement of the research instrument. The study proceeded with normality tests as presented by the following section.

#### 4.6 NORMALITY TEST

**Table 4.7: Normality tests**

<b>Tests of Normality</b>						
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Financial transformation	.152	90	.000	.924	90	.000
Governance	.202	90	.000	.875	90	.000
Compliance	.138	90	.000	.928	90	.000
Control	.145	90	.000	.925	90	.000

a. Lilliefors Significance Correction

The Shapiro Wilk test for normality shows that all the variables have p-values less than 0.05 implying that they are not normally distributed. The researcher concluded that all the variables do not follow a normal distribution. According to Pallant (2005), when significant values are less than 0.05 the data is not evenly distributed and as such non-parametric tests may be done. Generally, non-parametric tests are mostly preferred as they are more robust. To address the

objectives of this study correlation tests were then conducted to establish the association, direction and significance of the association and the results are discussed in the section to follow.

#### 4.7 CORRELATION ANALYSIS RESULTS

Pallant (2005) advised to use non-parametric statistical tests when data is not normally distributed. Spearman's Rank Correlation Coefficient was used to determine direction and significance of relationships performance and factors explaining it as shown in table 4.8 below. Correlation ranges from -1 for a perfect negative relationship to +1 for a perfect positive correlation. A positive relationship means there is an association of high values of one variable with high values of the other variable exists and it is vice versa for a negative relationship. In this section the main objective together with sub objectives will be partially answered where we get the association between the independent variables (governance mechanisms, compliance mechanisms and control mechanisms) and the dependent variable (finance transformation) significance of the association and the direction. However, the magnitude of the association with be addressed by regression analysis. The table below shows the correlation analysis results.

**Table 4.7: Test for correlations among variables**

Correlations						
			Financial transformation	Governance	Compliance	Control
Spearman's rho	Financial transformation	Correlation Coefficient	1.000			
		Sig. (2-tailed)	.			
		N	90			
	Governance	Correlation Coefficient	.675**	1.000		
		Sig. (2-tailed)	.000	.		
		N	90	90		
	Compliance	Correlation Coefficient	.718**	.716**	1.000	
		Sig. (2-	.000	.000	.	

		tailed)				
		N	90	90		
	Control	Correlation Coefficient	.860**	.671**	.711**	1.000
		Sig. (2-tailed)	.000	.000	.000	.
		N	90	90	90	90
**. Correlation is significant at the 0.01 level (2-tailed).						

The results from table 4.7 above show a strong correlation between the independent variables and finance transformation. The results are explained below.

#### **Governance mechanism and finance transformation**

A statistically significant, strong, and positive relationship between governance mechanism and finance transformation was shown in the results [(**r=0.675**), **p=0.01** (**p=0.01**)].

#### **Compliance mechanisms**

A strong, positive, and statistically significant relationship exists between compliance mechanism and finance transformation [(**r=0.718**), **p=0.01** (**p=0.01**)] was presented.

#### **Control Mechanisms**

A strong, positive, and statistically significant relationship exists between control mechanism and finance transformation [(**r=0.860**), **p=0.01** (**p=0.01**)] was presented.

Since the correlation coefficients were found to be significant, regression analysis was then conducted to determine the extent of influence of governance mechanisms, compliance mechanisms and control mechanisms.

### **4.8. REGRESSION**

Regression analysis seeks to determine the predictive power of independent variables on the dependent variable (Pallat, 2012). Regression is ordinarily used to help management to make decisions. Multiple linear regression analysis establishes the cause-and-effect relationship, and it answers the overall objectives together with sub-objectives as it gives the extent to which independent variables influence the depended variable.

According to Statistics Solutions (2013), in multiple regression, the assumption requiring a normal distribution applies only to the disturbance term, not to the independent variables. What is important is to have the distribution of the disturbance term for all cases in the sample normally distributed. However, when the sample size is sufficiently large, this assumption may not need to be tested. In our case the sample size is small, therefore, the test for normality of the disturbance term will be performed before performing the regression analysis.

The residuals must be independent of one another and must have homoscedasticity, i.e., with constant variance. Figure 4.1 below plots the regression standardised residuals against the regression standardised predicted values. The shape of the plot is rectangular, and no point is outside -3.0 and +3.0 on either axis, demonstrating that there is independence, and that the assumption of homoscedasticity is satisfied.

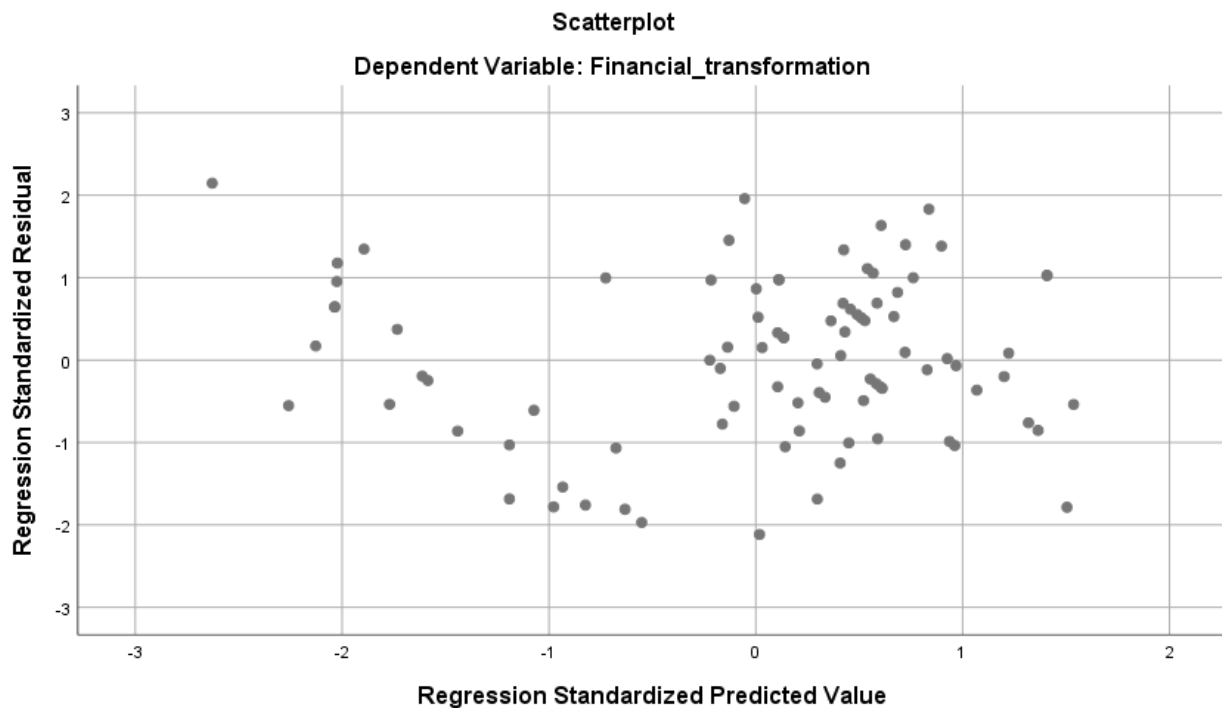


Figure 4.2 Test for independence between variables.

Testing for normality of residuals is done by using the normal probability plot of regression standardised residuals as shown in Figure 4.2 below. The points follow the diagonal line, which shows that the observed standardised residuals are normally distributed.

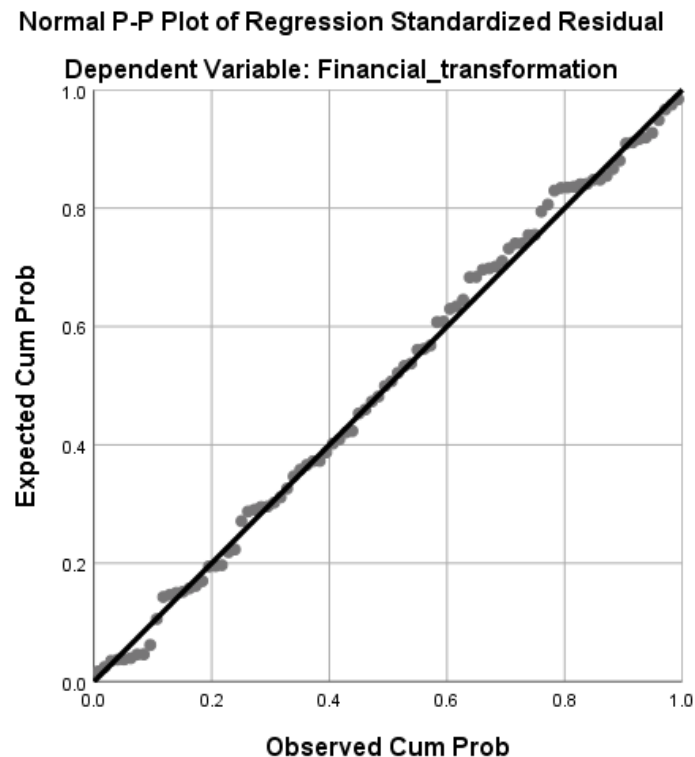


Figure 4.3: Normal probability plot of regression standardised residuals

We then test the observed unstandardized residuals. We plot the unstandardized residuals against the standardised residuals and test for normality. Table 4.8 shows that the residuals, both standardised and unstandardized residuals are normally distributed with p-values greater than 0.05.

Table 4.8: Test of normality standardised and unstandardized residuals.

<b>Tests of Normality</b>						
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	.056	90	.200 <sup>*</sup>	.986	90	.442
Standardized Residual	.056	90	.200 <sup>*</sup>	.986	90	.442

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

a. Lilliefors Significance Correction

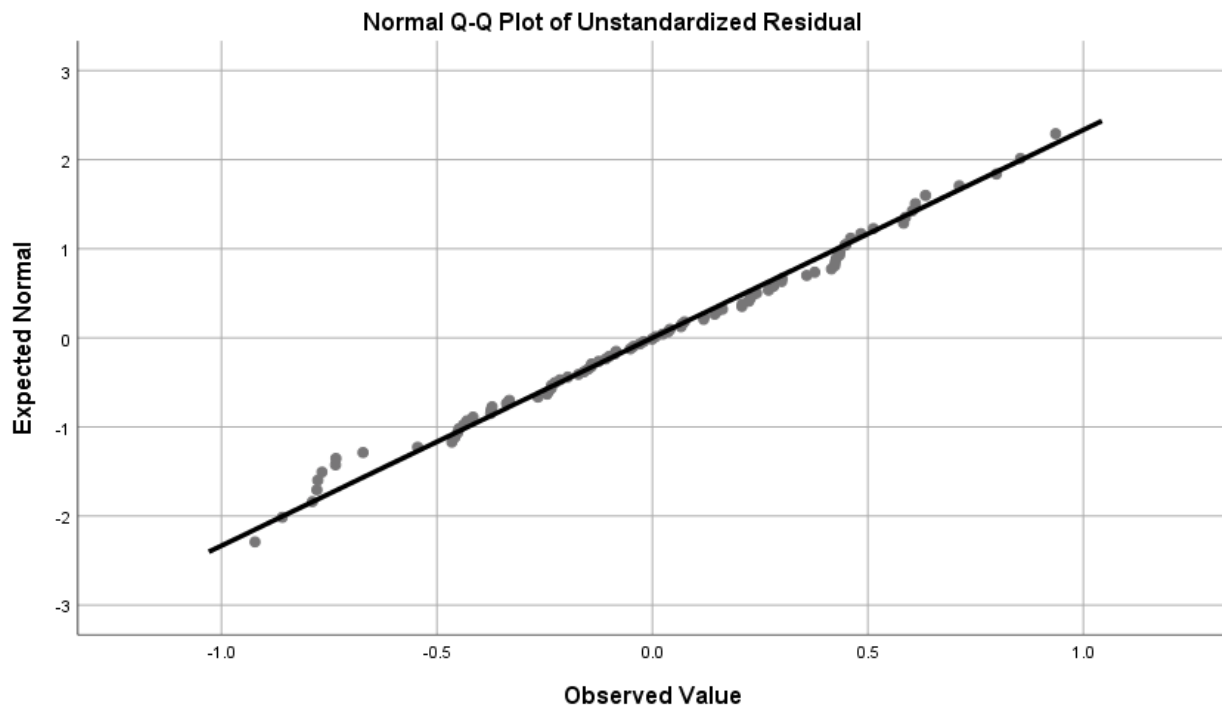


Figure 4.3: Normal Q-Q Plot of unstandardised residual

After the researcher was satisfied that the residual terms are normally distributed and that they are homoscedastic, multiple regression analysis was performed.

**Table 0.9: Regression Analysis Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.896 <sup>a</sup>	.803	.796	.43592

a. Predictors: (Constant), Control, Compliance, Governance

When performance was regressed against the Control, Compliance, Governance the  $R^2$  which shows the impact of independent variables financial transformation is 0.803 and the adjusted  $R^2$  is

0.796. The Adjusted R-square provides an adjustment to the R-squared statistic based on the number of independent variables in the model such that an independent variable that has a correlation to finance transformation increases adjusted R-squared and any variable without a strong correlation will make adjusted R-squared decrease. This makes the adjusted R-square a more desirable goodness-of-fit statistic than the R-square. The adjusted  $R^2$  of 0.796 shows that the independent variables explain for 79.6% of the variation of finance transformation. Failure to have the 100% adjusted  $R^2$  implies that there are other variables that may explain finance transformation, explained by the remaining 20.4%. However, at 79.6%, the model has high predictive capacity.

#### 4.9 STATISTICAL SIGNIFICANCE OF THE REGRESSION MODEL

**Table 0.10: Validity of Regression Model (Anova)**

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	66.483	3	22.161	116.623	.000 <sup>b</sup>
Residual	16.342	86	.190		
Total	82.825	89			

a. Dependent Variable: Financial transformation

b. Predictors: (Constant), Control, Compliance, Governance

The F Value shows the suitability of the model. In this instance the F value is 74000 and p-value of 0.00 shown in the ANOVA result table 4-9 shows that the relationship between the dependent variable finance transformation and its explanatory variables (governance mechanisms, compliance mechanisms and control mechanisms) is statistically significant as the p-value is less than 0.05 [ $F(3, 86) = 116.623, p < .05 (p=0.000)$ ]. The model can be used to predict the level of finance transformation as it is a good fit.



**Table 0.1: Model Predictive Coefficients:**

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.569	.241		-2.357	.021
Governance	.099	.107	.089	.925	.358
Compliance	.107	.108	.083	.988	.326
Control	.866	.109	.752	7.931	.000

a. Dependent Variable: Financial transformation

In the model above, governance mechanisms and compliance mechanisms have (p-value>0.05), which means that they are not statistically significant. The coefficient analysis gives the beta values (regression coefficients) which measure the extent of impact for independent variables to the dependent variable. In this study the focus was on the influence of governance, compliance, and control mechanisms on fiancé transformations in private companies. Governance and compliance were dropped from the model because they have an insignificant contribution to finance transformation. The regression analysis shows the model below:

$$\text{Finance transformation} = -0.569 + 0.752 \text{ control mechanisms}$$

From the study objectives in Chapter 1, the model shows that control mechanisms are determinants of finance transformation.

The effect of each variable in the model is as follows:

- 4.1 Control mechanisms has greatest impact on finance transformation ( $\beta=0.752$ , p-value<0.05). A unit improvement in control mechanisms will lead to effective finance transformation by 75.2%

4.2 Governance mechanisms has an insignificant impact on finance transformation ( $\beta=0.089$ ,  $p\text{-value}>0.05$ ). A unit improvement in governance mechanisms will lead to finance transformation by only 8.9%. The degree of change in the outcome variable for every 1-unit of change in the predictor variable is low.

4.3 Compliance mechanisms has an insignificant impact on finance transformation ( $\beta=0.083$ ,  $p\text{-value}>0.05$ ). A unit improvement in compliance mechanisms will lead to finance transformation by only 8.3%. The degree of change in the outcome variable for every 1-unit of change in the predictor variable is very low.

#### **4.10 INDEPENDENT T TESTS: PRIVATE SECTOR AND THE FINANCIAL TRANSFORMATION MECHANISMS**

An independent test was further tested to analyse the statistical differences of the private sector and mechanisms for financial transformation. The study applied the Kruskal Wallis test. The **Kruskal-Wallis H test** (sometimes also called the “one-way ANOVA on ranks”) is a rank based nonparametric test that can be used to determine if there are statistically significant differences between two or more groups of an independent variable on a continuous or ordinal dependent variables. In other words, the study tested whether there is any significant difference in terms of the respondents sector and how they apply the cost reduction strategies. According to Field (2009), **Kruskal-Wallis H test** assumes independence of data and should be applied where samples are non-parametric.

The results showed that on the distribution of governance, compliance, and control mechanisms was ( $p>0.05$ ) on all the mechanisms. This shows that there is no statistical difference in the distribution of all mechanisms for finance transformations on all sectors. For all private companies that had participated in the study have the same perception on governance, compliance, and control. The results are shown below.

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Governance is the same across categories of A4.	Independent-Samples Kruskal-Wallis Test	.226	Retain the null hypothesis.
2	The distribution of Compliance is the same across categories of A4.	Independent-Samples Kruskal-Wallis Test	.745	Retain the null hypothesis.
3	The distribution of Control is the same across categories of A4.	Independent-Samples Kruskal-Wallis Test	.392	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

**Figure 4.4: Independent T Tests**

#### 4.11 HYPOTHESIS TESTING

A correlation model was used to determine the conclusion on the hypothesis.

H1: Governance mechanisms positively enhances finance transformation.

As shown in the correlation model, the governance mechanisms have significant positive association with finance mechanisms. The model predictive coefficient showed that governance has a positive contribution to finance transformation, but it is insignificant and is a weak predictor of finance transformation. The hypothesis H<sub>1</sub> is therefore partially reject.

H2: Compliance mechanisms positively enhances finance transformation.

As shown in the model, compliance mechanism has a significant positive association with finance transformation. The model predictive coefficient indicated that compliance has a positive contribution to finance transformation, but it is insignificant and is a weak predictor of finance transformation Therefore, H<sub>2</sub> is partially rejected.

H3: Control mechanisms positively enhances finance transformation.

As shown in the model, control mechanism has a significant positive relationship with finance transformation. The model predictive coefficient showed that control positively and significantly

contribute to finance transformation. It is a strong predictor of finance transformation. Therefore, H<sub>3</sub> is supported.

**Table 4.11: Hypothesis Testing**

<b>HYPOTHESIS</b>	<b>DECISION</b>
H1: Governance mechanisms positively enhances finance transformation.	Partially reject
H2: Compliance mechanisms positively enhances finance transformation.	Partially reject
H3: Control mechanisms positively enhances finance transformation.	Hypothesis Accepted

## **4.12 DISCUSSIONS OF FINDINGS**

### **4.12.1 Governance Mechanisms**

The findings from the correlation results revealed governance mechanisms have a positive and insignificant association on finance transformation. Governance mechanisms involves practises such process ownership, accountability, effective risk management, effective budget system, knowledge of acceptable behaviours at the organisation and strong leadership. Most of the managers who participated in the study agreed that they have good governance practises. To confirm that there is a positive correlation between governance and finance transformation, Davis and Vitora (2016) held that, robust corporate governance appears to support companies in resisting corruption and political predation. It provides the company and its staff with clear guidance on how to go about doing things, and about which behaviours are, and are not, acceptable. For a company to be resilient it needs more than a strong leader. It needs to have a team of the right people who are willing and able to work within the ethos set by their company's corporate governance structures. A key element of this is the need to have robust financial systems so that the management team has a clear understanding of the business.

### **4.12.2 Compliance Mechanisms**

The findings revealed that private companies have transparent financial reporting, they comply to the legislations, they assess compliance periodically. Periodic assessments, contractual assessments and regulatory assessments for compliance are important for finance transformation. The findings concur with KPMG (2016) that compliance needs to keep up with

the pace of change here, to deliver compliance with information technology security, the control, security and privacy of data, artificial intelligence, cyber security, outsourcing, anti-money laundering, regulatory reporting, and associated obligations.

According to KPMG (2019) a changing business environment, tough economic and competitive conditions, evolving risks and cost pressures on financial institutions have led to increasing pressure on compliance functions to re-align to business strategic goals and to transform into a more value-add service line that can deliver more effectively and efficiently. Lack of clarity over the mandate and role of compliance, how it fits within the three lines of defence, and the relationship between compliance and the business. There is need to transform from a function focused on preservation, conservatism, and remediation to one that, in addition to maintaining regulatory compliance and capital conservation, operates in a more strategic and predictive capacity.

The research findings highlighted that there is a positive relationship between compliance and finance transformation.

#### **4.9.3 Control Mechanisms**

The findings highlighted that the respondents agreed that they have strong internal and external controls, the control systems are documented and automated and are robust and secure to ensure effective finance transformation. These results concur with (Ernst & Young, (2015.)) who opined that control acts as a line of defence against practices such as fraud and error, thus a strengthened control environment through documented, centralised, efficient, and standardised processes is one of the success factors for an effective process ownership and governance.

According to the Global Economic Crime Survey (PwC, 2018), there is a growing improvement in the effectiveness of internal controls for detecting economic crime. While global process ownership may not be universally adopted, the early signs are that organisations that invest in these roles are likely to steal a march on competitors through higher productivity, better visibility of controls, and lower levels of fraud (Spanicciati, 2014). Hence having internal control, regulatory compliance, and risk management functions incorporated in the operating model help maintain control and compliance.

#### **4.13 CHAPTER CONCLUSION**

The study revealed that although governance mechanisms and compliance mechanisms are positive determinants of finance transformations, they are statistically insignificant whilst control mechanisms are positive and statistically significant determinants of finance transformation. The findings seem to be in line with other researchers' findings although very few studies have studied similar mechanisms to this study. The last chapter presents the conclusions and recommendations of this study based on the findings explained in this chapter.

### **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

## 5.1 INTRODUCTION

The chapter presents the conclusions and the recommendations of the study basing on the findings from the previous chapter. This chapter outlines the achievement of research objectives and the answer to the research questions. It further explains the theoretical, methodological, and empirical contribution of the research. The policy and managerial recommendations, generalisation of findings, limitations and areas of further study forms the last sections of the chapter.

## 5.2 ACHIEVEMENT OF RESEARCH AIM AND OBJECTIVES

The aim of the research focused on enhancing **financial transformation through governance, compliance, and control mechanisms in Zimbabwe Private sector companies**. The objectives of the study were to; investigate and determine governance mechanisms that enhance finance transformation, investigate, and determine compliance mechanisms that enhance finance transformation and to investigate and determine control mechanisms that enhances finance transformation.

The research objectives were achieved by gathering literature from various sources on financial transformation. Literature was also reviewed on each objective to establish the view of other authors and their findings on the area understudy. A conceptual framework was formulated to support the research hypothesis of the study. A survey was carried out in Zimbabwean private sector companies with the management who have knowledge of financial transformation. A structured questionnaire that allowed quantitative data to be collected was used. Data was analysed using descriptive and inferential statistics, particularly the regression analysis and the correlations. The findings were made in relation to the research objective. Conclusions were made on each objective and are presented in the following section.

### **5.3 CONCLUSIONS**

The research provided the following conclusions.

#### **Objective 1# Governance mechanisms and Finance transformation**

The research concluded that governance mechanisms have a positive and insignificant association with financial transformation. The findings revealed that private companies must practise good governance to ensure effective financial transformation. Furthermore, private companies that have clear process ownership have managed to successfully transform their finance processes. More so, private sector companies that have promoted accountability across the organisation have managed to successfully benefit from finance transformation aspects such as cost saving, cost cutting gaining efficiencies, among others.

The study also indicated that there are effective risk management and effective budget system within private sector companies in Zimbabwe which are important governance mechanisms in finance transformation. The employees are aware of the acceptable behaviours at the organisation, strong leadership also ensures governance. Private companies have strong leadership. Although there is a positive and insignificant association between governance and finance transformation, the study concluded that governance in private companies is a weak predictor of financial transformation.

#### **Objective 2# Compliance mechanisms and Finance transformation**

The study concluded that compliance mechanisms have a positive association with financial transformation. Private companies ensure compliance by ensuring transparent financial reporting and compliance to legislation. The study also indicates that there is compliance to legislation in the private sector companies. Moreover, the private companies ensure compliance by performing periodic assessments, contractual assessments, and regulatory assessments as these are important for finance transformation. Although there is a positive association between compliance and finance transformation as indicated by the study, compliance in private sector companies have been proved to be a weak predictor of finance transformation.



### **Objective 3# Control mechanisms and Finance transformation**

The research concluded that control mechanisms have a positive and significant association financial transformation. The findings highlighted that a few private sector companies have strong internal and external controls that are well documented. The study also indicated that, although control mechanisms are a strong predictor of finance transformation, they are a few private sector organisations that have automated, robust, and secure control systems.

### **5.4 ANSWER TO THE RESEARCH QUESTION**

The findings that were gathered from the regression analysis, correlational analysis and model coefficients helped to answer the research questions of the study. The impact of each independent variable, finance transformation was determined by the significance and the strength of the correlation with the dependent variable. The research questions of the study were.

1. What is the influence of governance mechanisms in enhancing finance transformation?
2. What impact does compliance mechanisms have on finance transformation?
3. What is the impact of control mechanisms on finance transformation?

To answer the research questions, the findings on Beta values show that governance mechanisms (Beta = 0.089) have a very low contribution to finance transformation. Control mechanisms has the highest contribution (Beta=0.752), and compliance mechanism has the lowest contribution to finance transformation with (Beta=0.083).

### **5.5 CONTRIBUTION**

The study makes significant contributions to various stakeholders. Outlined below are theoretical contributions, methodological contributions, empirical contributions, and practical contributions.

#### **5.5.1 Theoretical Contribution**

Both theory and empirical findings contribute to our understanding of the interplay between governance, compliance, control, and financial transformation. This study also contributes to the understanding of the importance of the three variables and its contribution to finance transformation in private companies.

### **5.5.2 Methodological Contribution**

Finally, a methodological contribution relates researcher's ability to use the research design and survey method in this study. Qualitative methods can also be employed in future research since the current study used quantitative analysis. However, the draw backs of qualitative analysis should be taken into consideration particularly its lack of objectivity and failure to generalise the findings.

### **5.5.3 Empirical Contribution**

This research contributes to a better understanding of the role and importance of finance transformation in private companies. It highlights the key drivers of finance transformation, in the context of the benefits and challenges, offering prescriptive guidance on how it can be achieved. This is not only based on the theoretical and empirical investigations performed as part of this study, but also on the researcher's years of professional experience in finance sector. The research study endeavoured to provide both academic and practical contributions to the extant body of literature on the area under study. On the academic side, the study contributed fundamental literature on financial transformation. The empirical evidence substantiates other research that were conducted on a similar study area.

## **5.6 POLICY RECOMMENDATIONS**

The government must come up with well thought policies that strengthen both internal and external controls in public sector companies in a bid to promote their survival through reduction of business cost associated with fraud and corruption. Since a monetary policy that is inconsistent with the development of the sector affects its strategic and operational budgets, the government must come up with effective monetary policies that rebuild the economy in Zimbabwe and improve financial stability through promoting business security, long term strategy formulation and improving cross sector standards. An economic environment characterised by hyper-inflationary affects financial transformation.

## **5.7 MANAGERIAL RECOMMENDATION**

The research recommended that whilst private companies have good governance and compliance practices, management must strengthen control systems through documentation of their internal and external control systems, investing in automated control systems, so that they reduce

practices such as fraud and errors in reporting. This also will facilitate better stewardship and strategy formulation thus assisting in reduction of cost through delivery of actionable information, analysis, and advice with as few resources as possible.

## **5.8. GENERALISATION OF FINDINGS**

This research was limited to private companies in Harare, Bulawayo, Masvingo and Zvishavane. The main assumption of this study was that the results of the study can be used as a benchmark to all private companies in Zimbabwe. The sample used for this study was not enough to represent the whole industry. The generalizations of the results might need to be taken with caution. It is therefore suggested that other research be done using qualitative methods to gather more detailed information. This research was cross sectional, the results may be too general to be applied to the private companies.

## **5.9 LIMITATIONS**

The limitations of the study were as follows:

A closed ended questionnaire used in this study did not allow personal views rather respondents were guided to select answers based on their perception and this can lead to bias responses. This was because respondents might give untrue answers which they believed to be appropriate. In addition, the questionnaires were not fully able to dig up information like open-ended questions, so that additional information for the completeness of discussion was still needed to be developed further.

This study targeted the managers of the private sector who had very limited time to answer the questionnaire that might have led to rushed responses and failure to respond at all. However, the researcher had to become a nuisance to collect some reasonable information.

A better well researched study needs ample time to be fully and thoughtfully completed. This study was carried out in a period of 6 months and results were required within this period. This factor hugely contributed to the researcher using a small sample.

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

Despite the limitations, the findings of this study pointed to several useful insights. The insights may be used by other researchers in other developing countries for future research considering that governance, compliance, and control mechanisms affect financial transformation. The challenges governance, compliance and control should be further examined, to devise new mechanisms and/or approaches to enhance financial transformations.

This study only adopted quantitative research method; a further study can be carried out using the qualitative research that should include policy makers so that probably an in-depth and detailed information will be explored.

Studies which examine the effects of other factors affecting finance transformation apart from governance, compliance and control can be carried out in the same or different institutions/organisations.

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## APPENDICES

### Appendix 1: Cover pager

#### OPENING SECTION

The purpose of this survey is to find out ways of enhancing financial transformation within private sector companies in Zimbabwe. Finance transformation is an essential step for staying competitive. I pursue to develop a working model based on governance, compliance, and control mechanisms to define a high performing finance transformation.

I am a Master of Business Administration student with University of Zimbabwe undertaking this work for my dissertation.

The questionnaire should take 15-20 Minutes to complete. All questions are optional, and you can stop the survey at any time or point. In my analysis your responses will be anonymous and cannot be attributed you.

If you have any questions about the survey please contact Tonderai Mjaro 0774037941 or ([tonderaimjaro@gmail.com](mailto:tonderaimjaro@gmail.com))

Please check the box if you want to proceed.

Respondent Consent:

I have read the above information (Opening section) and I agree to take part in this survey. Participation is voluntary.

Yes ☐

No ☐

## Appendix 2: Questionnaire

### SECTION A -DEMOGRAPHICS

A1. What is your position in the organisation?

Managerial ☐

Non-managerial ☐

A 2. For how long you have been working in the organisation?

Less than a year ☐ 1- 3 years ☐ 3 to 5 ☐ 5 -8 years ☐

8 to 10 years ☐ 10 – 15 years ☐ above 15 years ☐

A3. Highest Level of Education: Certificate ☐ Diploma ☐ Degree ☐

Post-Graduate ☐

A4. In which sector are you working in your current position? Please select.

- a. Telecommunications ☐
- b. Retail and Distribution ☐
- c. Energy and Utilities ☐
- d. Automotive ☐
- e. Manufacturing ☐
- f. Other Sector ☐

A5. How many employees are working within your organisation? Please select the appropriate range.

- a. 1 – 250 ☐
- b. 251 – 1000 ☐
- c. 1001 - 5000 ☐
- d. 5001 - 10000 ☐
- e. > 10000 ☐

## **Section B: Governance mechanisms**

**This section provides statements that describes governance mechanisms in your organisation. You can indicate the extent to which you agree or disagree with the statements by ticking the corresponding number in the 5-point scale below:**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>strongly disagree</b>	<b>Disagree</b>	<b>moderately agree</b>	<b>Agree</b>	<b>strongly agree</b>

***Please tick only one number for each statement***

**To what extent do you agree with the following statement?**

Item		Strongly disagree	1	2	3	4	5	Strongly Agree
B1	My organisation has a clear process ownership across the enterprise	Strongly disagree	1	2	3	4	5	Strongly Agree
B2	My organisation promotes accountability	Strongly disagree	1	2	3	4	5	Strongly Agree
B3	We have effective risk management systems at my organisation	Strongly disagree	1	2	3	4	5	Strongly Agree
B4	We have effective budget system in my organisation	Strongly disagree	1	2	3	4	5	Strongly Agree
B5	We have a robust corporate governance system that resists corruption	Strongly disagree	1	2	3	4	5	Strongly Agree
B6	Everyone in my organisation is aware of the behaviours that are acceptable to promote effective	Strongly disagree	1	2	3	4	5	Strongly Agree

governance

B7	My organisation thrives on strong leadership	Strongly disagree	1	2	3	4	5	Strongly Agree
B8	Governance mechanism in my organisation promotes successful finance transformation	Strongly disagree	1	2	3	4	5	Strongly Agree

### Section C: Compliance mechanism

To what extent do you agree with the following statements.

C1	My organisation ensures a transparent financial reporting	Strongly disagree	1	2	3	4	5	Strongly Agree
C2	My organisation complies with with legislative requirements	Strongly disagree	1	2	3	4	5	Strongly Agree
C3	My organisation assesses compliance periodically	Strongly disagree	1	2	3	4	5	Strongly Agree
C4	My organisation has never experienced regulatory penalties	Strongly disagree	1	2	3	4	5	Strongly Agree
C5	Compliance mechanisms is important for effective finance transformation	Strongly disagree	1	2	3	4	5	Strongly Agree

Can you rate the following compliance mechanisms in terms of their importance to enhance finance transformation in your organisation?

C6	Periodic assessments	Least	1	2	3	4	5	Most important
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		important							
C7	Contractual assessments	Least important	1	2	3	4	5	Most important	
C8	Regulatory assessments	Least important	1	2	3	4	5	Most important	

### Section D: Control mechanisms

The following table provides statements which describe control mechanisms influencing finance transformations in your organisation. Can you please indicate your level of agreement on each statement?

D1	My organisation has strong Internal control systems	Strongly disagree	1	2	3	4	5	Strongly Agree	
D2	My organisation has effective external control systems	Strongly disagree	1	2	3	4	5	Strongly Agree	
D3	My organisation ensures stakeholder satisfaction	Strongly disagree	1	2	3	4	5	Strongly Agree	
D4	My organisation has clearly documented control systems	Strongly disagree	1	2	3	4	5	Strongly Agree	
D5	My organisation has automated control systems	Strongly disagree	1	2	3	4	5	Strongly Agree	
D6	We have robust and secure control systems	Strongly disagree	1	2	3	4	5	Strongly Agree	

D7      Control mechanisms are      Strongly      1      2      3      4      5      Strongly  
                  important aspects of      disagree  
                  financial transformation

### Section E: Finance transformations

How would you rate the level of success of the finance transformation performed in your organisation?

E1	Cost Saving	Underperformed	1	2	2	4	5	Exceeded expectations
E2	Cutting costs	Underperformed	1	2	2	4	5	Exceeded expectations
E3	Gaining efficiencies	Underperformed	1	2	2	4	5	Exceeded expectations
E4	Highly Specialised skills	Underperformed	1	2	2	4	5	Exceeded expectations
E5	Improved business security	Underperformed	1	2	2	4	5	Exceeded expectations
E6	Improved quality and cross sector standards	Underperformed	1	2	2	4	5	Exceeded expectations
E7	Improved link between business and IT	Underperformed	1	2	2	4	5	Exceeded expectations

End of questionnaire

