



Transitioning from a failed micro-lender to a transactional bank

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ABSTRACT

The failures of banks or financial institutions have an adverse effect on a country's economy. This study aimed to investigate the probability of a failed micro-finance institution transitioning to a retail or transactional bank. The following factors were thought to impact on the success of transitioning to or creating a new business:

- The innovativeness of the strategy the organisation aims to follow;
- The organizational culture within the organisation;
- The leadership of the organisation;
- The innovativeness and capabilities of the organisation's systems; and
- The structure of the organisation.

A literature review was conducted in order to clarify the different financial sectors in South Africa, specifically the banking and micro-finance sectors. Thereafter the literature was used to create a questionnaire to measure the factors impacting the success of a new business venture.

The data was analysed using statistical methods and the results were used to provide insight into whether or not the bank in question was using these critical success factors in a positive or negative way and to provide recommendations to further assist in ensuring these factors were utilised to the advantage of the bank.

KEY WORDS: African Bank, organisational culture, financial industry, leadership, banking sector; micro-finance.

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LIST OF ABBREVIATIONS

Abbreviation	Meaning
ABIL	African Bank Investments Limited (the old African Bank)
AHP	Analytic Hierarchy Process
BCBS	Basel Committee on Banking Supervision
BESA	Bond Exchange of South Africa
BOE	Board of Executors
BSD	South African Reserve Bank's Supervision Department
CEO	Chief Executive Officer
DEA	Data Envelopment Analysis
DMTN	Medium Term-Note
FSA	Financial Statement Analysis
FSB	Financial Services Board
FSCA	Financial Sector Conduct Authority
FSI	Financial Stability Institute
JSE	Johannesburg Stock Exchange
MFRC	Micro-finance Regulatory Council
NBS	National Building Society
NCA	National Credit Act
NCR	National Credit Regulator
NCT	National Credit Tribunal
NGO	Non-Governmental Organisations
NIM	Net interest margin
PWC	PriceWaterhouseCoopers
RDS	Residual Debt Services
ROA	Return on Assets
ROE	Return on Equity
ROSCA	Rotating Savings and Credit Associations
SAFEX	South African Futures Exchange
SARB	South African Reserve Bank
SEF	Small Enterprise Foundation

1 CHAPTER ONE: NATURE AND SCOPE OF STUDY

1.1 INTRODUCTION

In the current economic circumstances that the world faces at present - is it at all possible for a failed micro-lender to re-establish itself as a retail or transactional bank? The aim of this study was to ascertain what the most important success factors for such a transition might be.

Between 1996 and 2004 the most notable of bank failures in South Africa was that of Saambou during 2002, and its disappearance from the market was largely due to the fact that it was denied assistance from government (Kumbirai & Webb, 2010:33). Some cases of smaller financial institutions that failed during the late 20th and early 21st century include: Ons Eerste Volksbank, New Republic Bank Limited, Regal Treasury Private Bank Limited and Board of Executors (BOE) (CCRED, 2015:14).

When African Bank Investments Limited (ABIL) failed, the South African Reserve Bank (hereinafter SARB) assisted in bailing out the company, albeit under curatorship which gave the SARB the legal means to ensure that a proper rescue plan could be put in place for the continuous operation of the bank (Marcus, 2014:5). During August 2014, ABIL published record losses for the year, and the SARB decided to take drastic action and appoint a curator, Mr Tom Winterboer, who at the time, was the African industry leader for PriceWaterhouseCoopers (PwC) financial services to address the problems in the company (Marcus, 2014:4).

This is a very different approach to rescuing a failing financial institution or bank than had been done in the past in South Africa. Saambou was another South African bank that was placed under curatorship in 2002 when it was faced with similar trouble as ABIL (Tetty, 2014:13). The purpose of this rescue was to ensure that investors and the public did not lose confidence in the banking system as a whole. Another reason was to ensure investors did not lose their deposits at Saambou to prevent 'a run on the bank'. According to the *Collins English Dictionary* (2017:1) a 'run on a bank' can be defined as 'a situation in which borrowers are worried that a bank will fail and all depositors try to withdraw money at the same time'. The fact that at that time Saambou was the 7th largest bank in South Africa led the SARB to fear that its collapse might

severely jeopardize confidence in the South African banking sector (South African Reserve Bank, 2002:8).

1.2 PROBLEM STATEMENT

When comparing micro-finance institutions to retail banks it is noted that failures in these industries can also have an adverse effect on the economy as a whole (Thrikawala, 2013:162). In South Africa regulators generally have three ways of dealing with a failing financial institution. They can advise curatorship, they can merge the bank with another stronger bank, or the government can intervene by providing emergency lending assistance (Tettey, 2014:12).

The question that this study aims to answer is whether it is possible for a failed micro-lender in South Africa to transition successfully into a retail bank after it has been rescued, and what critical factors would assist in doing this successfully.

1.3 OBJECTIVES OF THE STUDY

1.3.1 Primary objective:

To ascertain whether it is possible for a failed micro-lender to transition successfully into a retail bank.

1.3.2 Secondary objectives:

- 1.3.2.1 To determine the reasons for bank failures, successes and transformations in the financial industry;
- 1.3.2.2 To establish whether the culture amongst the staff will be a deterring or enabling factor in this transition;
- 1.3.2.3 To determine whether staff are of the opinion that the way the company is being managed and/or led is done in a positive way.

1.4 RESEARCH METHODOLOGY

1.4.1 Research design

This topic was executable and researchable because the researcher had access to information relating to a company that was in the process of transitioning from a micro-lender into a transactional bank. The researcher attempted to discover where the gaps in the literature were, or to confirm that what and how the company is planning to achieve this transformation is in fact the best solution. Research in regard to these events in other countries will assist with fully researching this question due to the fact that it is a relatively new phenomenon in South Africa.

The researcher made use of a qualitative research design. This type of research uses literature reviews from both primary and secondary sources in order to compare what has been researched and where the gaps in the literature might be found. The study was cross-sectional in nature as these studies are relatively simple in design and their intention is to find the frequency of occurrence of a specific problem or incident by making use of only a small section of the population or 'problem' (Jost, 2016:1). In this case the study was done on a single financial institution (thus a small section of the financial 'population').

1.4.2 Survey questionnaire

The literature review was used as a basis for the empirical research in order to examine how staff experienced the transition and also to investigate certain aspects relating to successful financial institutions.

1.5 RESEARCH LIMITATIONS

1.5.1 Scope of the study

An in depth study of one financial institution in South Africa was undertaken thus the results might not be applicable to all financial institutions worldwide.

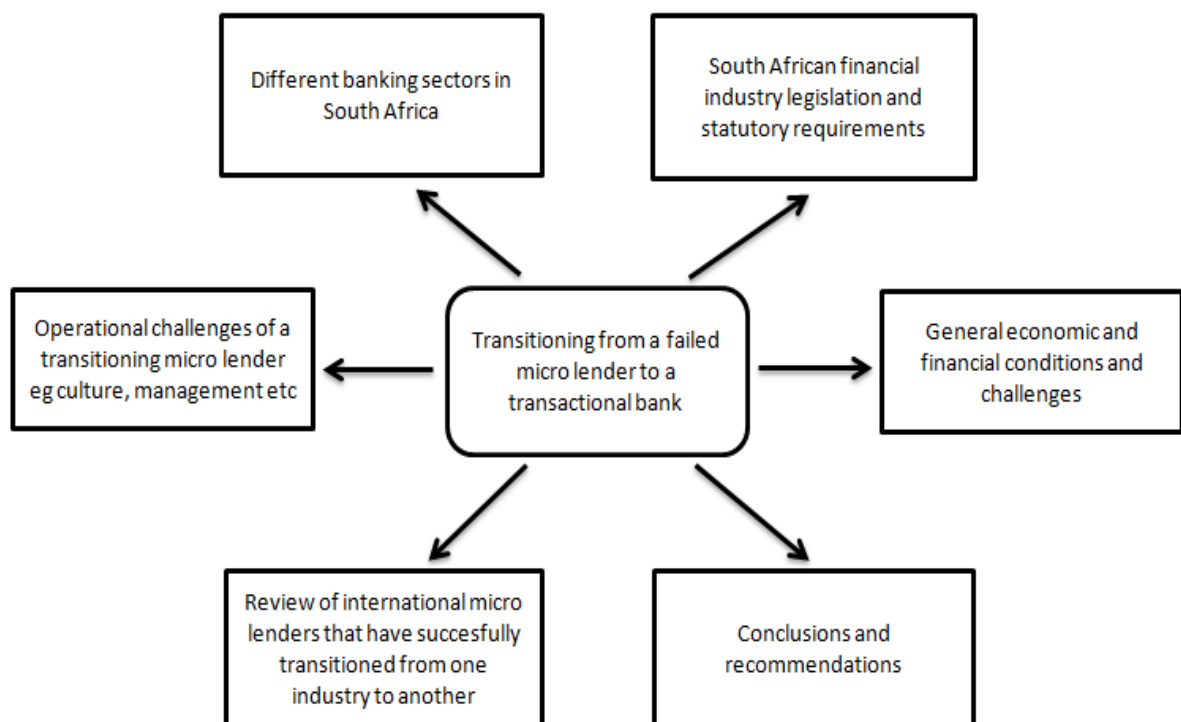
1.6 LAYOUT OF THE STUDY

Chapter one provides an overview of the research methods that were used to conduct the research, the problem statement as well as the objectives that the research aimed to achieve. Chapter two, the literature review, focuses on the general financial sector in South Africa and the aspects relating to successful financial institutions. These factors also include human issues like organizational culture and leadership. Failures in the South African financial sector and the reasons for these will also be investigated. Then African Bank specifically will be investigated.

Chapter three focuses on the research methodology and explains the reasons behind the questionnaires and gives a critical evaluation of the results received. In Chapter four the previous two chapters will be brought together and evaluated, summarized and explained. Then conclusions will be drawn and recommendations made.

The research can be illustrated in the following graphic illustration:

Figure 1: Illustration of Research



1.7 SUMMARY

This study researched the possibility of success when transitioning from a failed micro-lender to a transactional bank by focusing on the general banking industry in South Africa, as well as the failures and successes of other financial institutions in the country.

The research was based predominantly on a broad literature study of the banking industry in the South African setting, while the empirical part of the study focuses on administering a questionnaire in regard to certain aspects that have been highlighted as factors relating to a successful organization. The feedback in regard to these questions, in conjunction with the literature study, was then used to analyse potential stumbling blocks and suggest recommendations.

2 CHAPTER TWO: LITERATURE STUDY

2.1 INTRODUCTION

In this chapter the general economic and financial conditions that has an impact on the stability of financial institutions will be investigated. The researcher also considered the history of micro lending and the retail banking sphere, especially in the South African context. When looking specifically at companies, the question can be asked whether or not the general financial industry is equipped to deal with new challenges (Hogg & Canter, 2015, Un-dictated Podcast). The world today is changing in a rapid manner, and organisations in all industries have to excel at being innovative and competitive if they want to create value for their shareholders. There are various critical success factors that organisations need to apply if they want to ensure their success and longevity (Dawson & Van Belle, 2013:1-2).

2.2 GENERAL SOUTH AFRICAN ECONOMIC AND FINANCIAL CONDITIONS

According to the SARB, financial stability can be described as the joint stability of the most important financial institutions as well as the financial markets in which they function (SARB, 2015:1). The World Bank (2017:1) defines financial stability as a financial system that is able to allocate resources and manage financial risks and ensure monetary stability. When financial institutions are investigated this means that they have adequate capital or funds to absorb any normal as well as abnormal losses that might occur during times when it is business as usual (SARB, 2015:1). The definition that the Magyar Nemzeti Bank (2017:1) gives to describe a system of financial stability is when a country and its financial institutions can fulfil their basic functions and absorb economic shocks with relative ease. The SARB is also of the opinion that another aspect that could have an effect on financial stability – this is public confidence in any financial institution (SARB, 2015:1). Financial stability in single institutions can be managed by a company's private risk management operations, while in a country's economy the authorities that are in charge of regulating a country's financial institutions are in charge thereof (SARB, 2015:1).

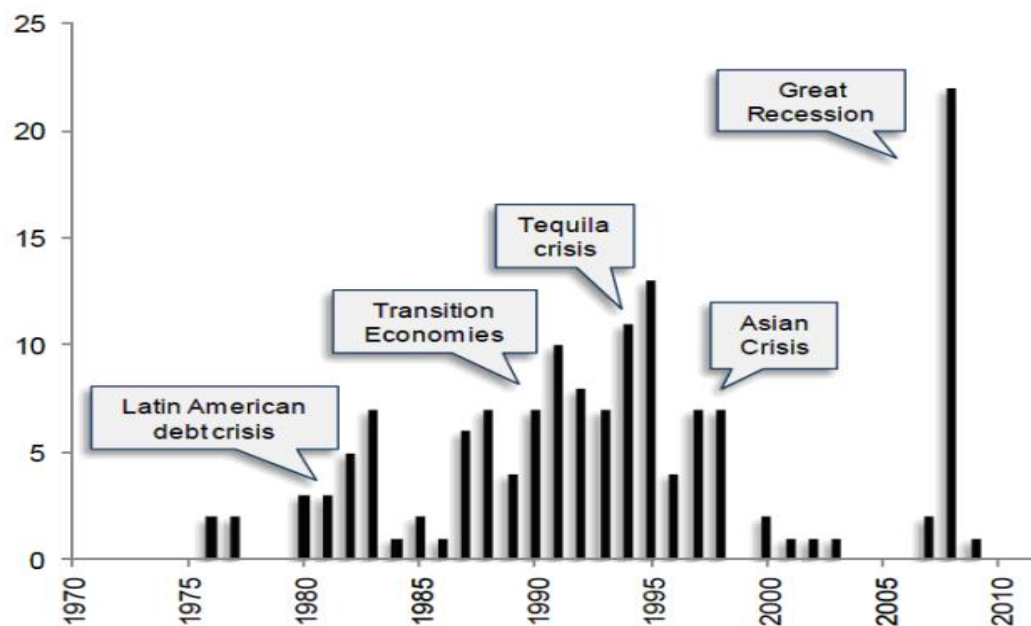
From the above it can be deduced that for a company to be seen as financially stable, it needs enough capital as well as public confidence and must be able to operate in a financially stable economic system that supports economic performance. Another deduction that can be made is that a financial system that is stable is one that enhances economic performance across many spheres of an economy.

After the 2007–2008 period of intense financial strain, there were authors like Leaven and Valencia, (2012:3) who held the opinion that this had not happened since the Great Depression during the 1930s. The subprime residential crisis in the United States is seen as the origin of this crisis, which then spread to the rest of the world due to their exposure to the US real estate markets (Weinberg, 2013:1). Keys *et al.* (2010:5) are of the opinion that weak regulatory oversight as well as government policies and expansionary monetary policy led to this crisis. Due to the fact that a country's banking industry can disrupt the country's lending market by reducing available credit and having an impact on interbank lending practices, they may have an impact on financial instability (Berger *et al.* 2009:105). The World Bank (2017:1) reasons that even though a well-developed financial sector should show signs of consistent growth, when there are signs of excessive growth, especially in the credit sector, it may be a sign of a looming banking crisis.

If these opinions by various authors are considered then financial strain or economic crises can be caused by factors such as excessive credit growth, weak lending practices of companies, government failures to institute the correct financial policies, currency devaluations and regulatory aspects across the whole financial sector.

Leaven and Valencia's (2012:11) research showed that during the period 1977–2011 there were 146 banking crises, 66 episodes of sovereign debt crisis or debt restructuring crises and 218 currency crises. In their IMF working paper they define all these different crises, but in short it all comes down to financial stress because governments or private financial institutions were unable to service payments and this led to bank liquidations or currency devaluations (Leaven & Valencia, 2012:11). In relation to this, Tapia (2013:3) reasons that not all banking crises happen during a period of financial stress as many bank failures only happen a year or two later.

Figure 2: International economies that have undergone a systemic banking crisis.



(Leaven and Valencia, 2012:10)

According to Bommarito (2012:1) the reasons why a bank failure happens could include the issuing of bad loans, funding issues, a discrepancy between their assets and their liabilities, inattention to risk management and related activities and runs on banks. It was found that macro-economic as well as micro-economic factors were commonly responsible for the failure of banks and other financial institutions, for example recessions, but they also named poor bank management and internal controls as factors (Pritchard, 2016:1).

According to Ifeacho and Ngalawa (2014:1183) banks are the owners of the majority of the financial assets in most countries, and that means that they are important to any non-financial firm's operations. Bank failures are perceived to have a more adverse effect on an economy than the failure of ordinary firms, as one failure could create the fear that more banks may fail and as such create a domino effect (Abou-El-Fotouh, 2015:1).

The deduction that can be made from the research of these authors is that besides external macro-economic factors, which might be difficult to control, management and internal controls are vital in ensuring the success of a financial institution.

2.3 DEFINITION OF THE BANKING SECTOR IN SOUTH AFRICA

In order to fully understand the banking sector in South Africa, and the important responsibility that banks have, the definition of a bank should be clarified. According to Rose and Hudgins (2013:2) a bank can be defined according to the different functions in an economy that it performs, the individual products and services it offers its clients as well as the authorization behind the subsistence of a bank. Asmundson (2012:1) is of the opinion that a bank can be defined according to the variety of financial products and/or services they offer their clients and also in terms of their most important function, namely being a financial intermediary.

Ferreira (2015:10) holds the opinion that in general traditional banking services include any of the following transactions: accepting deposits, giving loans, exchanging currencies, accepting investment deposits and allowing customers various transacting abilities, usually for a fee. The Banks Act (1990) of South Africa defines the business of a bank as follows: 'the acceptance of deposits from the general public, the soliciting of, or advertising for deposits and the utilization of money accepted by way of a deposit'.

The role of a bank is defined as collecting money from consumers and transferring it to debtors. The circulation of money in a country is facilitated in this way and banks also assist in the expanding or contracting of countries' economic growth as the SARB can control the flow of money in the country by increasing or decreasing the interest rate used by banks to lend money to consumers (Ferreira, 2015:10.) According to Bollard *et al.* (2011:8) the role of banks in New Zealand is to assess credit-worthiness of customers and if they do this in an appropriate manner, they should make this credit available to customers at a price that will ensure their growth as well as the financial stability of the customer.

Taking all the above definitions into consideration, a South African definition of a bank could be the same as that of the US definition as the banks of both countries fulfil the same role. It can also be deduced that the role of a bank refers to the assortment of services and products that it offers rather than to any one specific type of business.

Section 17 of the Banks Act (1990) states that any company that wants to conduct the business of a bank has to apply to the Registrar of Banks for a licence to operate as such. The South African retail banking industry is an oligopolistic market structure because there are only a few large competitors (Ncube, 2009:13). In South Africa there are currently 37 registered banks but 15 of these are branches of international banks, three mutual banks and two co-operative banks (SARB, 2016:1). The five largest South African banks hold approximately 86% of all assets and they are ABSA Bank Limited, Nedbank Limited, FirstRand Bank Limited (FNB), The Standard Bank of South Africa and Investec (SARB, 2016:1). Of the smaller role-players in the financial industry are UBank, Mercantile Bank, Postbank, African Bank and Capitec (SARB, 2016:1).

The South African financial sector has been relatively stable and except for Capitec, there have not been many successful entrants into the banking sector since ABSA was established 25 years ago (Nhundu, 2016:1). The banking classifications in South African can be summarized as follows: Public companies (Ltd) that are registered in terms of the Banks Act (1990) with the aim of advertising and accepting deposits from the public and then to utilize these deposits in various ways (Institutional Sector Classification Guide, 2011:6) and mutual banks which are juristic persons that are registered as such in terms of the Mutual Banks Act (1993). According to the Institutional Sector Classification Guide (2011:7) the Postbank is a savings institution that operates as a subsidiary of the South African Post Office. Lastly there are also South African branches of foreign banks which according to the Banks Act (1990), section 18A, are foreign institutions that have been lawfully established in other countries and is not registered in terms of the Banks Act (1990). For purposes of this study, the researcher will only be looking at banks duly registered in terms of the Banks Act (1990) and micro-finance institutions. The table below shows the banking entities that are registered in South Africa, courtesy of the SARB, 2015:3.

Figure 3: Banking entities registered in South Africa

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Banks*.....	19	19	19	18	17	17	17	17	17	17
of which: banks under curatorship.....	0	0	0	0	0	0	0	0	1	1
Banks in final liquidation	2	2	2	2	2	2	2	2	2	2
Mutual banks.....	2	2	2	2	2	2	3	3	3	3
Cooperative banks	0	0	0	0	0	2	2	2	2	2
Local branches of international banks	14	14	14	13	13	12	14	14	14	15
Representative offices.....	43	46	43	42	41	43	41	43	40	40
Controlling companies.....	16	16	16	16	16	16	16	16	16	16

* Includes active banks and banks exempted by the Registrar of Banks (with effect from 1 July 1996) in terms of the Supervision of Financial Institutions Rationalisation Act 32 of 1996 and section 1(cc) of the Banks Act 94 of 1990

(SARB, 2015:3)

The framework relating to the governance of these financial institutions will be discussed in detail in *2.6 Regulatory aspects of the South African Financial Sphere*.

2.4 HISTORY OF THE MICRO-FINANCE SECTOR IN GENERAL

With the establishment of the Grameen Bank of Bangladesh by Dr Muhammed Yunus during the latter part of the 1970s, the micro-finance institutions were born (Bateman, 2011:1). In order to completely comprehend the micro-finance sector and the important part that they play in the economy the definition of a micro-finance institution should be simplified.

Various authors have different views of what the exact definition of micro-credit or micro-finance should be. According to Bateman (2014:92-93) it can be defined as providing very small loans to the poor in order for them to be able to launch various income-generating activities. It was also designed as a mechanism to promote development and as such these institutions received their capital from donors or the government because they claimed that their goal was decreasing poverty. Thela (2012:10) is of the opinion that micro-credit refers to a variety of financial services that could include allowing poor people to save, transfer money and ensure that they have

access to credit. Micro-finance, according to Briere and Zafarz (2013:1) is viewed differently from general financial institutions like banks because the nature of micro-finance is built upon two pillars namely social upliftment and financial interests.

In South Africa micro-credit institutions are prohibited from taking deposits from the public, so in this country specifically, micro-credit would in most instances refer to the granting of small to medium loans (Thela, 2012:10). The arrival of the micro-credit model in South Africa was one of the developments in the financial sector that had the most far-reaching effects. The intention of this model was to enable impoverished South Africans to borrow small amounts of money in order to create their own self-sustaining enterprises, as was the intention of the micro-finance industry in most developing countries. Due to this the micro-credit lending sector in South Africa began to grow very rapidly (Bateman, 2014:117-118).

Thus from the above a general definition of micro-credit can include that it encompasses the granting of various financial services, ranging from very small loans to savings accounts, to the poverty stricken people of a country in an effort to promote development and reduce poverty.

Some authors defend the micro-credit model and are of the opinion that micro-finance creates significant employment opportunities and empowers people (Bateman, 2014:92-93). Criticism of micro-finance revolves around the fact that there is actually very little proof that the poorest communities benefit from these institutions, and that the positive economic impact it has is not discernible (Thela, 2012:9, Bateman, 2011:2, Hickel, 2015:1). Thela (2012:10) found that unscrupulous lending practices, most particularly extremely high interest rates and illegal collection methods are another criticism of this model. According to Hickel (2015:1) micro-finance often does not alleviate poverty but can lead to an increase therein due to the fact that poor people take out loans to buy necessities and if they cannot generate more income from these loans they take out new loans to service the old ones.

South Africa's micro-credit industry was a prime example of this criticism because during the late 1990s they were accused of having unscrupulous micro-credit practices with illegal methods used to collect on outstanding debt and charging customers excessive interest rates. When consumers become seriously over-indebted and start

defaulting on their loans, it could send shockwaves throughout the whole financial industry. This could lead to the same situation or financial crises that were faced in countries like Bolivia, Bosnia and Morocco (Smit, 2015:3)

From the research of the above authors, it is clear that there are various critics as well as defenders of the micro-credit model, the main defence being that it plays an important role in economic development and poverty reduction, and the main criticism is that it does not have a discernible effect on alleviating poverty and that there are too many unregulated and unethical methods used in these models. The criticism also implies that if these practices are not regulated it could lead to an economic crisis in a country.

2.5 MICRO-FINANCE SECTOR IN SOUTH AFRICA

Smit (2015:2) stated that when one looks specifically at the South African micro-credit sector, it dates back to 1992 when an exemption notice was issued that liberated the micro-credit or unsecured lending sector of the country. This notice set the market free from the Usury Act that restricted interest rates and enabled micro-lenders to become registered credit providers of credit up to an amount of R6 000 with a term of less than 36 months, without any interest rate restrictions. During 1999 this threshold was increased to an amount of R10 000. The reasoning behind this move was to ensure that the previously unbanked population of South Africa had easy access to financial services (Smit, 2015:3).

The National Credit Act (NCA) was promulgated in 2007 and the National Credit Regulator (NCR) was set up in order to ensure that the rapidly growing micro-credit market did not become unmanageable. Even though these actions were intended to bring more transparency, accountability and fairness into this market, by 2010 the general population of South Africa was seriously indebted (Bateman, 2014:119). The fear that this segment of the financial system could reach a very serious financial crisis was realized in 2014 when African Bank Investments Limited, one of the leaders in the micro-credit industry, collapsed (Dolan, 2014).

The main contenders in the micro-credit industry in South Africa used to be African Bank (ABIL) and Capitec, because they focused mainly on unsecured credit (Smit, 2015:15). Capitec started around 2001 as a micro-lending business, but Riaan Stassen, the founder of Capitec, was already planning the move into transactional banking, and over the last 14 years has done so quite successfully (Smit, 2015:36). In their case, however, they diversified without having a crisis drive them towards it, and many may say the fact that African Bank continued in the direction of unsecured credit at that time, helped Capitec to establish themselves as a successful transactional bank without the competition that African Bank might have been at the time (Makhaya & Nhundu, 2015:15). Due to its relevant and affordable services to the lower income and unbanked population in South Africa, it grew very quickly into a reputable and competitive bank and by 2007 the *Financial Mail* called it the top company in South Africa (Keraan, 2010:3). According to the AMPS 2012 survey Capitec overtook Nedbank and became the 4th largest bank (Fisher-French, 2014:1):

According to Wroblewska (2015:1) African Bank rose to fame by borrowing money and then lending this money in the form of unsecured loans to the lower-income segment of the population. The difference between African Bank and the retail banks was that African Bank borrowed money in order to lend money, and was not capitalized as retail banks are by customer deposits. Thus when the customers became over-indebted and struggled to repay their loans, so did African Bank (Wroblewska, 2015:1).

Loan sharks on the other hand are created because of the fact that larger institutions (Banks or Registered credit providers) are hesitant to lend money to customers whose repayment abilities appear uncertain or risky. This results in these households having to resort to micro-lenders in their townships known as *mashonisas*. These *mashonisas* provide small loans and operate casual or informal lending businesses and are sometimes the only way for poor households to access credit (Mashigo, 2012:25; James, 2012:22)

From the literature it can be summarized that the main contenders in the South African micro-credit sphere used to be Capitec Bank as well as African Bank Investments Limited. In the case of Capitec Bank they succeeded in creating a successful retail bank that incorporated a large and profitable micro-credit section. African Bank on the other had struggled with their one line micro-credit model and the fact that they were

not capitalized by any customer deposits like regular retail banks, made them much more susceptible to both micro-and macro-economic changes.

2.6 REGULATORY ASPECTS OF THE SOUTH AFRICAN FINANCIAL SPHERE

According to Ferreira (2015:35) the South African banks face exposure to various financial risks and these may include market risk, credit risk, liquidity risk, systemic risk, legal risk, regulatory and reputational risk as well as operational or business risk. He also alleges that these risks are not limited to financial institutions and may arise at any time if not regulated properly and this is the main reason why regulators have been established, as well as to ensure that financial stability in the SA financial sphere remains as relatively stable as it has been.

The South African financial sphere comprises a central bank, the South African Reserve Bank and also a few large competitors in the banking and investment segments, and then also a number of smaller banks and micro-credit institutions (SARB, 2016:1). One of the ways that the government had chosen to ensure positive development after the global financial crisis in 2008 was to launch a 'twin peaks' regulatory environment, which created one entity that is in charge of monitoring the market conduct and one entity to monitor all prudential regulations (KPMG, 2013:5). The SARB is in charge of managing the prudential requirements by way of the Bank Supervision Department (Bankseta Micro-finance Review, 2013:7). The Financial Services Board (hereinafter FSB) has been put in charge of monitoring the market conduct (Bankseta Micro-finance Review, 2013:7). These developments are part of what is keeping South Africa at the forefront of managing its emerging economy (Bankseta Micro-finance Review, 2013:7).

Thus from the above the deduction can be made that the most important role-players when it comes to regulating the South African financial sector is the South African Reserve Bank's Bank Supervision Department and the Financial Services Board.

The South African Reserve Bank's Supervision Department (BSD) gives directives and supervises the banks in South Africa and it was established with the singular

purpose of ensuring an efficient and sound banking system to the benefit of the South African economy in general (SARB, 2016:1). According to the SARB (2016:1) the department does this by issuing banking licenses as well as by monitoring the banking activities in terms of the Banks Act, 1990, the Co-Operative Banks Act, 2007 and the Mutual Banks Act, 1993.

In order to remain abreast of any developments and changes in the international financial sphere the BSD participates in various international forums. These include the Group of Twenty or G-20 Finance Ministers, the Basel Committee on Banking Supervision (BCBS) as well as all its sub-groups, the Central Bank Governors and the Financial Stability Institute (FSI) (BSD, 2015:10). According to the BSD Annual Report (2015:10) the main acts that form part of and guide the BSD's supervision include the following:

- The South African Reserve Banks Act, 1989
- The Financial Intelligence Centre Act, 2001
- The Companies Act, 2008
- The Postbank Limited Act, 2010

Due to the collapse of African Bank Investments Limited during 2014, the need for an even more effective regulatory system was identified (FSB, 2016:8). These changes include the change of the name of the FSB to the Financial Sector Conduct Authority (FSCA) and its mandate will change as well. During the 2015/2016 financial year the FSB almost finalized its transition to the FSCA which will mean that the FSB will no longer only regulate the non-banking sector of the financial sphere, but will regulate the whole financial sector (FSB, 2016:5).

When looking at regulatory changes, Basel III could be seen as the reason why banks and micro-finance institutions have had to rethink some of their business practices. Compliance with the Companies Act (No 71 of 2008) also brought about regulatory changes for example audit requirements. The King III Code on Corporate Governance also has new requirements which previously were not taken seriously by all in the banking sector (Colgrave, 2012:15). Even though the South African Banking system is well-developed, research conducted by PWC (12th survey) indicates that due to the rapid changes in the information technology sector, the financial sector will also face

changes and new developments. These changes or developments include but may not be limited to some of the following: Regulatory changes, technological changes and changes in how financial institutions deal with innovation, as well as the changing dynamics of the markets (Gouws, 2012:10).

From the research done by the above-mentioned authors the deduction can be made that South Africa has a well-developed financial regulatory system that is amended as and when needed. It is also clear that changes in this sphere could have an impact on all parties in the financial arena whether it is a company that is altering or a country's financial sector.

2.7 CHALLENGES WHEN TRANSITIONING FROM ONE FINANCIAL ENTITY TO ANOTHER

One of the reasons that micro-finance institutions have been able to move from the micro-finance sector into commercial banking is the fact that they created models that allowed them to charge interest rates that cover their costs, but also do not negatively affect the number of customers they can assist without causing their clients to become over-indebted. (Thela, 2012:1). According to Maseko (2012:12), strategic planning, innovation and management play an integral part in the success of any company. He is also of the opinion that especially when a new venture is on the cards, the strategic priorities and plans should be sound.

2.7.1 Strategy and innovation

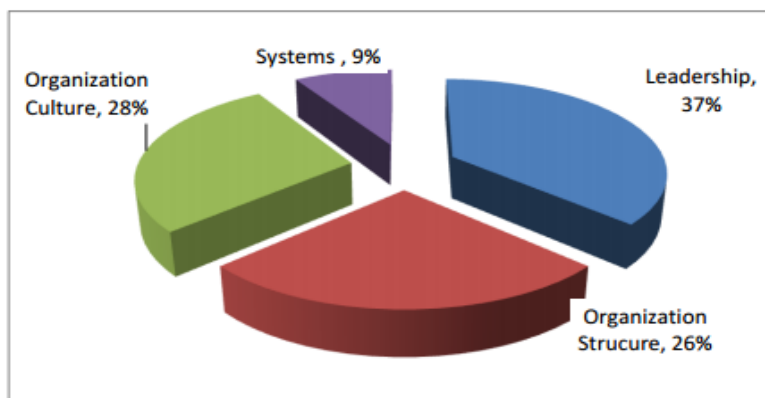
Shikuta (2013:1) is of the opinion that a company's strategy is the direction that that organization wants to take over a longer period and its aim is using its resources effectively in order to gain a competitive advantage. According to Adner and Kapoor (2010:306) in order to ensure a competitive advantage over other firms, a company needs to create more value than that of its competitors. This, according to them, means that the company needs to implement an innovative strategy effectively. Implementing an innovative strategy does not necessarily mean being the first

company to present the market with a new product, but rather being a leader in the way in which new products or strategies are developed and implemented. The management of the company should also ensure that they are aware of any turbulence in their specific environment, and as such design their strategies in such a way that it will be able to adapt to any change in their environment (Shikuta, 2013:2).

Through a review of the literature, a common theme is noticeable when it comes to strategic innovation. Baden-Fuller and Haefliger (2013:1), Maree and McKenzie (2014:605) and Chesbrough (2013:1) all came to the same conclusion stating that the goal of an innovative strategy has at its core the transformation of the business's current business model.

Another author, Rajasekar (2014:169) is of the opinion that the execution of a company's strategy is usually the most complicated part of strategic management, and often also the most protracted part thereof. According to Bell *et al.* (2010:243) strategic formulation on the other hand is a more creative act that involves analysis and intellectual capacity. In terms of a study done by Rajasekar during 2013 (2014:178) where he measured these factors in a service industry, the conclusion was drawn that the below shown percentages are a reasonable indication of which factors affect the successful implementation of a company's strategic goals the most. His conclusions are shown graphically in Figure 4 below.

Figure 4: Factors impacting implementation of strategies



Rajasekar (2014:178)

Maree and McKenzie (2014:605) define strategic innovation as follows: 'the process of innovating a company's business model for either the company as a whole, or for a specific offering, in an attempt to re-conceive existing markets so as to alter the competitive formula for an industry'. They also concluded that the main drivers of strategic innovation were culture, resources, people and processes.

Considering the literature the deduction can be made that there are various factors that can affect the successful implementation of a companies' strategy or the development of an innovative strategy. These factors include systems, processes or information technology, management or leadership styles, organizational structure, culture and human resources.

2.7.1.1 Organizational culture

The above graph (Figure 4) illustrates that the role that the culture within an organization plays can be a predictor of the success of the company. Authors like Naranjo-Valencia *et al.* (2011:58) hold the view that one can define organizational culture as all the beliefs, ideals and veiled assumptions that the employees or even the stakeholders of the company share. According to the literature the role of organizational culture is to assist a company to perform at advanced levels of productivity, and that it is also a valuable tool that companies can use to ensure a positive working environment (Liu *et al.* 2009:2). A company's culture refers to the characteristics and social rules that apply to the employees of that company. This culture further has an impact on the values, the rules and the general actions of the employees within that company (Maree & McKenzie, 2014:606).

Employees who buy into the brand or culture of an organization will live up to those standards in their interactions with clients and other stakeholders. If employees buy into the organizational culture it could assist the employees in reaching their full potential to the benefit of both the company and the individual (Wallace *et al.*, 2013:165). It also leads to support amongst employees, the provision of guidance from management and ensures that policies and procedures are followed (Belias &

Koustelios, 2014:188). The culture within any given organization will affect the actions of its leadership, employees and customers (Belias & Koustelios, 2014:189).

According to Rautenbach (2015:57), the sphere in which any individual spends time affects his/her well-being. If the amount of time that any individual spends at their place of employment is taken into consideration, then this sphere of their lives can have a major impact on all the other areas of their lives as well. Carrington (2014:1) is of the opinion that a company has to ensure that it has a productive and healthy workforce in order to be successful in the business world. Employees who are engaged and flourishing at work tend to be more productive, and to create positive work environments for themselves, their colleagues and the organisation in general.

A good example of where organizational culture was used to a bank's advantage was in the case of FNB and FirstRand Group. The FirstRand Group was originally started in 1838 but during 1998 the modern corporate structure was created when the Anglo-American Corporation merged with Rand Merchant Bank Limited. They then divided this new structure into three separate groups consisting of Discovery, Momentum and the banking group. The banking group in turn was divided into four areas: FNB Corporate, FNB Retail, Wesbank and RMB. The FirstRand Group had a shared organizational culture built on the term '*Juggernaut*' which they defined as being a market juggernaut and at the same time having a niche mentality about it (Cole *et al.*, 2008:3). According to Cole *et al.* (2008:3) the founders of FirstRand, G.T. Ferreira, Laurie Dippenaar and Paul Harris, inspired this culture.

According to Naranjo-Valencia *et al.* (2011:56) organizational culture is one of the variables that might have a significant impact on how innovative a company can be. They are also of the opinion that because organizational culture has an influence on the way in which employees behave, it might lead them towards, or away from innovation. If employees do not buy into the culture of an organization, they will struggle to adopt new technological processes that might stimulate innovation (Naranjo-Valencia *et al.*, 2011:57). Belias and Koustelios (2014:187) are of the opinion that successful banking institutions should have a greater appreciation of the value that their employees bring to the company. As the former CEO of Marriott Corporation,

John Smith realized during the 1970's, 'You can't have happy customers served by unhappy employees', 1975.

The review of the literature suggests that in order for a company to ensure that they will be successful they need to ensure that they have a positive developmentally orientated organizational culture. If all a company's employees buy into the culture or brand of the organisation, it should assist them in gaining a competitive advantage over their competitors because one of a company's most important resources are their employees.

2.7.1.2 Leadership

Both management and leadership play a pivotal role in organisational success. According to Cardinal (2013:1) management focuses on getting the work done; and they manage resources as well as operations. Leadership on the other hand is in charge of creating the vision and direction of the company, creating changes and engaging and renewing their employees. For any strategic implementation plan to be successful, a company needs the buy in of its employees. This means that the company will need someone to direct the employees' capabilities and ensure that they understand the reasoning behind implementing the new strategy. The leadership style of the specific leader will influence how the companies strategies will be implemented (Rajasekar, 2014:171). According to Belias and Koustelios (2014:189) there is a definite relationship between a company's culture and its leadership. If a leader does not understand and accept the culture within an organization, their effectiveness might be undermined. According to Den Hartog and Belshak (2012:1) an ethical leader who also understands the company's culture, would be more credible and thus the chances of him/her exerting meaning influences and gaining the trust of followers would be much greater.

From the above authors it can be concluded that integrity can be seen as the way in which a leader adheres to his or her moral values or principles and when leaders show that they can keep to their moral compasses and not give in to actions like corrupt practices, the feeling of trust and the confidence that followers have in leaders will be

stronger. If a leader wants employees to follow him they need to have trust in the leader as well as be able to perceive the leader as committed to achieving the company's goals.

According to Aarons *et al* (2015:2) leaders or managers can have an impact on whether or not change and innovation will be accepted within an organization. They are also of the opinion that the direct supervisors are critical in this process and as such should receive training in any skills they lack to perform optimally. Similarities of implementation of strategies across all levels of an organisation is likely to increase the effectiveness of the change management process (Aarons *et al*, 2015:3). According to Burnes (2015:93) one of the main reasons for the failure of change initiatives is the innate resistance that employees have in regards to change. He also argues that when change is managed with the input of employees, and it is an ongoing process with information being shared regularly, the resistance to change will be less.

The above suggests that ongoing training in regards to leadership skills, especially at lower management levels will assist in ensuring that the new strategies or changes within an organization are will be accepted with less resistance. It can also be deduced that when employees are consulted and kept informed of the progress or implementation of such changes, their resistance to change will decline.

Transformational leadership according to Fairhurst (2017:5) can be defined by four characteristics: consideration of others, developing and stimulating followers, charm or charisma and also being able to inspire or motivate employees. Top *et al*. (2015:1263) identified six different behaviours that are or could be present within transformational leaders:

- They are excellent at articulating the vision of the company.
- They lead by example, in other words they base their behaviour on the culture and the values that are part of the organisation.
- Motivating or encouraging the employees to acceptance the goals of the organisation.
- Transformational leaders set high expectations of quality and performance.
- Consideration for employees and their needs are shown.

- They encourage development and intellectual stimulation that leads to improvement amongst both follower and leader.

Karakitapoğlu-Aygün (2013:108) found that the model of leadership that is very well suited to a situation or setting where change and transformation are actively happening is transformational leadership. Leaders or managers who have adopted this style were found to enhance the performance of organizations as well as the commitment and support of their followers because they can articulate inspiring visions and motivate employees to buy into this vision. When there are times of uncertainty these leaders have the ability to lessen the concerns of their followers and instil confidence in them.

April (2011:7) is of the opinion that the South African commercial milieu is made up of a variety of different industries that is represented by different cultures; local, national as well as international. From the inception of the South African economy Western theories and leadership models were incorporated into the business environment. Due to the fluctuating nature of the labour force and labour industries, especially in countries where huge changes took place, a change in the way leaders or managers behave is necessary for economic success. Jackson (2017:1) also stated that transformational leadership should be able to increase employee commitment as well as facilitate change within an organisation. Some of the most important responsibilities of a leader include the coordination of activities, keeping employees motivated and committed to the strategic plans of the company as well as to ensure that all processes are streamlined (Rajasekar, 2014:171). According to Belias and Koustelios (2014:187), leadership can be defined as the style that a leader applies when providing direction, motivating his employees as well as when implementing plans.

To summarize, the deduction can be made that transformational leadership has been found to be the most successful leadership style that leaders in a changing environment should strive for. Transformational leaders are aware of themselves, their employees and the environment in which they all operate and know how to manage all these spheres. When employees perceive their leaders to be transparent, approachable and honest, they are more likely to assist the company in reaching its goals and long term vision.

2.7.1.3 Organizational structure

According to Rajasekar (2014:178) and Wilden *et al.* (2013:72) the organizational structure of any company is very important in its success. They are of the opinion that a company structure gives all stakeholders a visual clarification of the decision-making processes as well as the allocation of resources. The structure of a company therefore should follow their strategy and these two aspects should fit one another if a company wants to be successful. Wilden *et al.* (2013:72) define the structure of a firm as 'the sum total of the ways in which it divides its labour into distinct tasks and then achieves coordination among them'. Foster *et al.* (2013:1457) agree with this definition and add that a company's structure also includes aspects like division specialisation and the way in which decisions are made for example in a vertical or horizontal manner. These authors are of the opinion that increased formality when it comes to decision-making may impede information-sharing within a company, which could rob them of their strategic and competitive advantage (Foster *et al.*, 2013:1460; Wilden *et al.*, 2013:74 & Rajasekar 2014:179).

The research suggests that strategic success is dependent on an organisation's structure and it requires knowledge of the best ways in which to make decisions in order to encompass all levels of an organisation's input. It also suggests that changes in a company's structure might be needed when there are external factors impacting the industry in which the firm operates.

2.7.1.4 Systems

When strategic implementation plans are developed, another key success factor is to ensure that there is control over the progress and availability of information systems. Regular progress reviews, and if necessary interventions and corrective actions, have to be done at the right times in order to ensure that the strategic plan does not fail in the implementation phase (Rajasekar, 2014:175). According to Dawson and Van Bell (2013:1) business intelligence (BI) is a science or a set of tools not given enough

attention and Rajasekar (2014:175) concurs with them. Research done by Malladi (2013:1) indicated that companies must ensure that they have both the capabilities and the knowledge to make well-informed decisions and create the value they require both from their business intelligence or systems and also in terms of upgrading or innovating these systems.

Baden-Fuller and Haefliger (2013:424) contend that especially in markets that are influenced by new technologies, it might sometimes be very difficult to formulate a strategic plan regarding developing new and appropriate technology as it is a constantly changing playground. Rus *et al.* (2015:680) agree with Baden-Fuller and Haefliger (2013:424) and are also of the opinion that due to the constantly changing nature of technology banks need to keep re-designing their business models or at least continue to make changes in their digital platforms in order to ensure their ongoing success.

If the above literature is reviewed, it can be concluded that a company's systems or BI is a collection of various factors including knowledge, planning skills and adaptability. It is also affected by both internal and external factors like the industry in which the company operates and the engagement of the employees. If a company combines all the resources required it would be able to identify the information that is needed and in turn use that to make decisions that would give them a competitive advantage.

2.8 SOME FAILURES IN THE SOUTH AFRICAN FINANCIAL SPHERE

The fact that credit was so easily come by during the 1990s even led to the collapse of certain retail firms, of which the most notable was probably the McCarthy Group during 1998 (Jones, 2003:249). First National Bank faced a crisis during 2002 when it owed 79% of its equity in loans that were difficult to repay and during the latter part of the 1990s, ABSA also experienced severe difficulties due to a series of bad debts that it had inherited from Trust Bank when it was amalgamated into ABSA earlier during the decade. The amalgamation of both Allied and United building societies into ABSA also carried their share of problems and led to ABSA reducing its cost to income ratio much faster than all the other commercial banks (Jones, 2003:249).

One of the notorious financial collapses was that of Saambou Bank after 2003. Tettey (2014:12) is of the opinion that this collapse was mostly due to the fact that investors lost confidence in Saambou's largest shareholder, Fedsure, and this led to a breakdown of trust from the South African public. Saambou's share price was strained, even after the BSD did a solvency due diligence and found that the bank was solvent (Tettey, 2014:13). The regulator saw Saambou as systemically significant as it was the 7th largest bank in South Africa at that time and feared that its collapse could jeopardize the whole of the banking system. Tettey (2014:13) concluded that the regulator was correct and that numerous banks, small and large, started experiencing liquidity problems due to large withdrawals shortly after Saambou was put under curatorship.

According to Wihlborg (2012:1) it is not unusual for governments to issue guarantees for the liabilities of banks that face financial distress. After the curatorship of Saambou, BOE's clients began to withdraw their deposits and BOE was forced to approach the SARB for assistance but even the assistance from the SARB did not stop clients from withdrawing their deposits and the National Treasury also had to offer assistance. The National Treasury issued a guarantee to all clients who had deposits with BOE that the fiscus would support their deposits which halted the rapid withdrawals (Tettey, 2014:15). Vestergaard and Wade (2012:486) are of the opinion that 'No financial crisis has ever occurred from something ex-ante perceived as risky'. They also state that 'they have all resulted from excessive lending or investing in something perceived as not risky'.

After considering the above opinions of various authors, the conclusion might be drawn that there are certain factors that play a dominant role in many of the failures in the financial sphere. These include lack of managerial competencies, lending practices that are unregulated or credit policies that are not in line with what regulations expect. Bad debts that are written off too easily, or not written off timeously and too little attention are given to the possible harm that reputational damage can cause a company.

2.9 SUCCESSES IN THE SOUTH AFRICAN FINANCIAL SPHERE

Rus *et al.* (2015:681) base their opinion of a successful organization on research done by Rochart (1979) who defined a successful organization as one that makes use of a restricted number of areas in which satisfactory results will guarantee a prosperous competitive performance for the company.

According to Van Der Westhuizen (2014:93) the performance of a bank describes how well the institution meets the objectives that were set by shareholders, the customers, creditors or even employees, or in other words all relevant stakeholders. He is also of the opinion that these days only achieving the objectives of the above mentioned parties is not enough, though, as the objectives set by the Financial Regulators like the BSD of the SARB should also be met. There are various models that are used to measure bank performance including the Financial Statement Analysis (FSA), Analytic Hierarchy Process (AHP), Data Envelopment Analysis (DEA) and the CAMEL model (Ifeacho & Ngalawa, 2014:1185).

FSA is thought to show the results of a bank's activities through its financial statements alone (Desta, 2016:589). These results could face a number of obstacles if used as the sole measure of performance because they need to have a benchmark against which they can be compared. This is usually possible, but not in all circumstances (Van Der Westhuizen, 2014:93). Ifeacho and Ngalawa (2014:1185) state that the CAMEL method measures the capital adequacy, asset quality management, earnings and liquidity of a bank and also includes financial ratios when measuring a bank's performance. This model according to Ifeacho and Ngalawa (2014:1185) is the most popular way to measure performance as the likelihood of a bank failure can more easily be picked up if any of these elements show signs of insufficiency. Even though this model is simpler than some of the others, it is seen to be more accurate because it includes financial ratios like return on assets (ROA), net interest margin (NIM) and return on investment (ROE) to measure performance (Ifeacho & Ngalawa, 2014:1185).

During 2015 the Global Finance Magazine chose the 30 best African commercial banks, of which Standard Bank was seen as the best bank in South Africa, followed by FNB. They used growth in assets, profitability, customer service and innovative products as some of their measurements (Global Finance Magazine Press Release,

11 March 2015). During the same measurement exercise in 2016, Standard Bank was once again seen as the best commercial bank in South Africa (Global Finance Magazine Press Release, 15 March 2016). According to Desta (2016:589) it is very important for investors, depositors and the regulators to be able to evaluate banks' performance.

Brand Finance (2017:1) did research in regard to the strongest banking brands worldwide, and FNB as well as Capitec featured on the list for 2017. Their Brand Strength Index (BSI) measures aspects like goodwill of customers, brand equity and marketing investment. Every brand is scored out of 100 and as can be seen from the below figure, FNB scored 84.4 and Capitec 83.7. Standard bank however, is not amongst the top 10 brands (Brand Finance, 2017:1).

Figure 5: The 10 most powerful banking brands worldwide



(Brand Finance, posted in *Business News*, 2017)

During 2015 the South African Customer Satisfaction Index (SAcsi) measured the reputation and satisfaction levels of the five largest commercial banks in South Africa, and that showed that Capitec was the best commercial bank by reputation, followed by FNB (South African Customer Satisfaction Index Results, 2015:1). According to the RepTrak Pulse reputation survey that was done during 2016, FNB stood out as the commercial bank with the best reputation amongst banks in South Africa, with Capitec being second (Reputation Institute, 2016:1). The bank with the worst reputation according to the Reputation Institute (2016:1), or satisfaction rate was Standard Bank, even though they were seen as the best bank using financial analysis.

The above research leads the researcher to conclude that even though making a profit is essential for any firm's success and survival, it is a medium or short-term objective with a very short-term outlook of about one or two financial years. Even though financial measurements are important factors, reputation also plays a very definitive role in the success of any company.

2.10 AFRICAN BANK

2.10.1 Introduction

African Bank Investments Limited was known for borrowing money from various sources and using this money for unsecured loans largely to the lower income section of the South African public (Wroblewska, A,B. 2015:1).

2.10.2 The history of African Bank Investments Limited

The history of ABIL can be summarized as follows:

Figure 6: History of African Bank Investments Limited

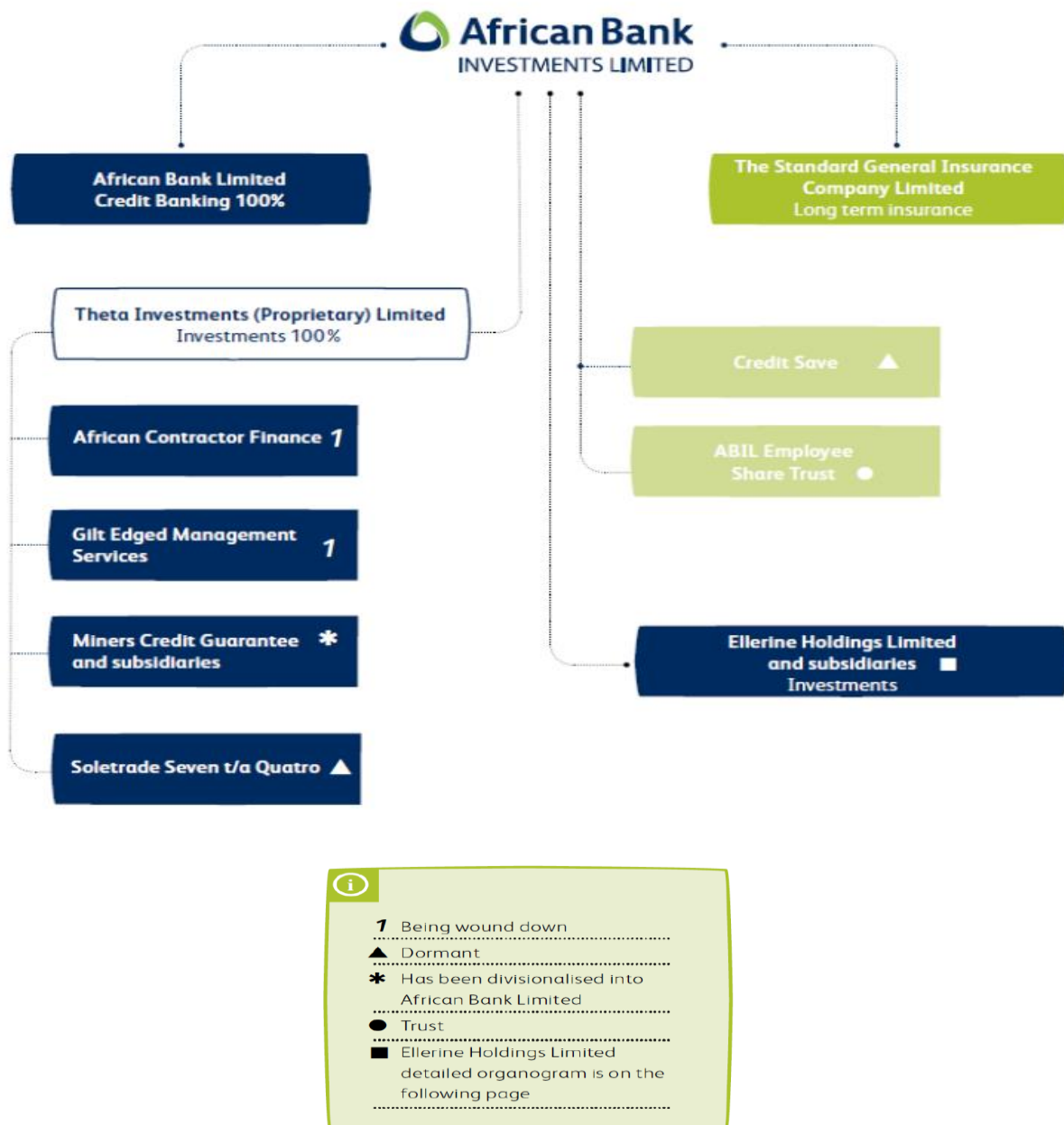
Timeline	
1993	Theta Securities is established
1994	Theta Securities and Hollard Holdings forms an investment trust
1997	The group changes its name to Theta Group Limited after they acquire the controlling interest in Altfin, Unity and King
1998	The Theta Group acquires the Boland book and acquires the African Bank licence from the regulator
1999	Theta Group acquires Stangen and changes its name to African Bank Investments Limited (ABIL)
2001	ABIL launches its first debit order products
2002	The Saambou Personal Loan book is bought
2003	ABIL's credit rating reached investment grade
2005	Credit indemnity merges with ABIL and it announces a R600 million black equity ownership program
2006	ABIL merges with African Bank Miners Credit and launches their first credit card products
2008	Ellerines Holdings is acquired by ABIL and they launch their Hlumisa Black Equity Ownership Programme
2010	Ellerines financial services is made a part and parcel of African Bank
2012	ABIL is named the banker of the year
2013	The ABIL advances book reached R59 billion
2014	Ellerines Furnishers is put under Business rescue proceedings on 7 August 2014.
2014	African Bank is placed under Curatorship on 10 August 2014

(African Bank Investments Limited (2013:1); Investigation Report in terms of Section 69A of the Banks Act 94 of 1990, 2016:25-26)

African Bank was the banking or micro-lending subsidiary of the listed company African Bank Investments Limited (ABIL). Before 2014 it was the largest of the unsecured lending companies in South Africa and held approximately 40% of the unsecured loan market (Smit, 2015:25). African Bank was a small commercial bank until it merged with King Finance Corporate, Unity Financial Services and Alternative Finance (Altfin). African Bank acquired the personal loan portfolio of Saambou after its collapse, which was worth approximately R2.8 billion. During 2008 ABIL extended their reach into the retail sphere by acquiring Ellerines Holdings Limited and started offering unsecured loan products to the customers of Ellerines. Ellerines consisted of amongst others Bears, Dial-a-Bed, Furniture City (Smit, 2015:25). As can be seen from the figure below, ABIL was the holding company of African Bank (financial

services), Ellerines (retail branch) and Stangen (Insurance division) (Van der Westhuizen, 2014:40).

Figure 7: Past Structure of African Bank Investments Limited



(African Bank Investments Limited, 2012)

2.10.3 Reasons for the failure of African Bank Investments Limited

According to the SARB (2014:1), if ABIL collapsed, it would have been regarded as a systemic banking crisis in South Africa due to the fact that the bank had approximately three million customers as well as the negative impact it would have had on the socio-political climate of South Africa (Myburgh Report, 2016:xvi). They were of the opinion that the probable prejudice that might be suffered by the stakeholders of the company included the following:

- The bank employed 5 700 employees whose jobs were at risk.
- The share value of the Eyomhlaba and Hlumisa investors that would be lost amounted to R1.3 billion and R729 million.
- All the ordinary South African investors with ABIL shares would lose billions of rands. The asset managers that invested the money on behalf on these shareholders includes companies such as Stanlib, PIC, Allen Gray and Coronation (Myburgh Report, 2016:xvii).

According to the evidence that Kirkinis (CEO of ABIL at the time that it was placed under Curatorship) gave to the Myburgh Commission he said he was of the opinion that the reasons of the failure of the bank were both internal and external factors which led to a loss of confidence of the funders of ABIL. He also named the weakening economy as well as the Marikana tragedy as reasons for the general loss of confidence in the micro-lending industry (Investigation Report 2016:252-253).

The Registrar of the SARB held the view that the following were the main reasons for the failure of ABIL:

- ABIL did not change their lending criteria to fit in with changing market conditions.
- Acquiring Ellerines Holdings was a bad investment decision.
- The board of directors did not challenge the risk appetite, risk management and strategic decisions that were made.
- The board members of ABIL and the board members for the Bank were identical and this led to a conflict of interest with regards to the directors' fiduciary duties.

- Write-offs and impairments were not conservative enough.
- They gave too much attention to collecting outstanding debt and not enough attention to ensuring that their credit and underwriting policies were of a high standard.
- They had no diversification in their product lines.
- The increased impairments that they raised for September 2013 that resulted in major losses, led to negative market opinions and reputational damage.
- A general worsening in the economy which led to job cuts, strikes and an increase in non-performing loans (Investigation Report, 2016:274-275).

The Investigation Report in terms of Section 69A of the Banks Act 94 of 1990 that was done on the collapse of ABIL stated that there was no evidence that the bank had the intent to defraud creditors or other depositors but they were negligent in the way that they conducted certain actions. They should not have kept Mr Fourie on as an executive director of the bank after he had also been appointed as CEO of Ellerines in 2008 (Myburgh Report, 2016:lv). The board of directors were found to have not made prudent business decisions like managing the bank's risk and growing the loan book too aggressively. It was also reckless of African Bank to lend Ellerines R1.4 billion without any security and this goes hand in hand with the finding that they underestimated the implications of problems such as impairments, bad debts and reputational damage (Myburgh Report, 2016:lv-lvii).

When the above is reviewed it can be summarized that the issues that led to the collapse of ABIL were the bank's liquidity, its impairment and provisioning policy, the mono-line business model as well as the rapid growth of their debt book. As was discussed above, certain dominant factors stand out in many of the failures in the financial sphere and these will be compared to the case of ABIL as well.

2.10.3.1 Managerial competencies / Leadership / Structure

According to Nalliah, who at the time was an executive director of the bank as well as the financial director of ABIL, he advised the commission that Kirkinis was difficult to be persuaded when he was of the opinion that his decisions were correct (Myburgh

Report, 2016:xxvii). Some of his colleagues who assisted him in the operation of the bank described him as 'a very amicable guy...he struggled with delegation, he struggled with keeping people accountable; he struggled with managing such a large organisation ... the thing became too big and too complex for him to handle effectively' (Myburgh Report, 2016:xxvii). The report also found that another one of the four executive directors, Sokuto, was unable to make informed and helpful decisions during the crisis periods between 2012-2013, due to being under the influence of alcohol (Myburgh Report, 2016:xxii).

2.10.3.2 Unregulated lending / Systems

During February 2013 the National Credit Regulator (NCR) investigated a case of reckless lending against ABIL. They referred the case to the National Credit Tribunal (NCT) and they proposed that the Bank pay a fine of R300 million. This was due to a fraudulent breach of the bank's systems by a branch in Dundee (Investigation Report, 2016:212).

2.10.3.3 Bad debts / Systems / Culture

The report found that a leading cause of the huge bad debt impairments of the bank was due the rapid growth of the loan book as it grew from R33.4 billion in 2012 to R44.8 billion in 2013 (Myburgh Report, 2016:liv). This growth happened just before the industrial action or strikes started, thus leading to higher unemployment levels, an inability to repay loans and another issue was that the loans that were issued were not always good quality loans, which made collecting on them difficult (Myburgh Report, 2016:liv). Nalliah attested that he had told Kirkinis on various occasions that their credit policy had to be tightened, but to no avail (Myburgh Report, 2016:xxv). Deloitte and Touche, who were the statutory auditors of the bank, said that the bank's 'impairment practices were aggressive in comparison with the banking industry as a whole'; and they made a final assessment that even though the impairment practices were within

an acceptable range, 'it was still towards the less prudent side of that range' (Myburgh Report, 2016:xxix).

2.10.3.4 Reputational damage

According to Kirkinis the fact that their bad debt rose very suddenly came as a shock to the general market which led to a loss of confidence in both him as CEO and the credibility of the bank (Investigation Report, 2016:126). The report (2016: 212) also found that the investigation into the Dundee reckless lending case was leaked to the media and proved to be very damaging to the bank's reputation.

2.11.4 The following has been done to re-establish the new African Bank as a retail bank:

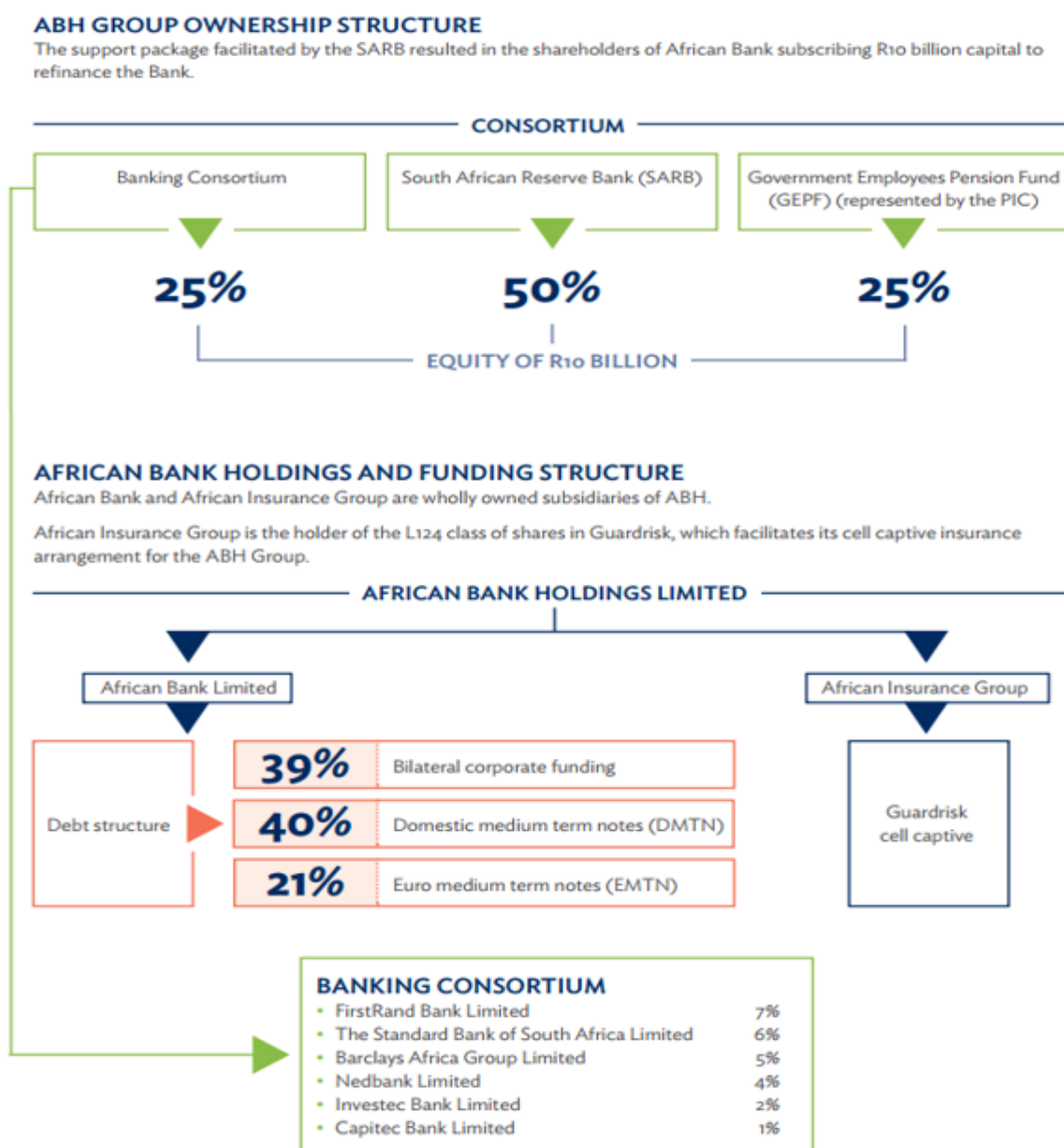
The term curatorship is provided for under the Banks Act (1990). A curator is appointed by the SARB Governor and the Minister of Finance when they believe that a bank is no longer able to operate on its own (Marcus, 2014:4). Curatorship is comparable to business rescue procedures in the banking industry (Jones, 2014:1).

When the SARB decided to rescue ABIL from collapse Tom Winterboer was appointed as the curator tasked with overseeing the curatorship process (Marcus, 2014:4). This gave the SARB a legal way of implementing a plan that they saw as 'a secure perspective for the future as a lending institution with a transformed business model' (Marcus, 2014:4). This plan meant that the bank would be split into two entities namely a 'good bank' that the SARB would assist in recapitalising with R10 billion and a 'bad bank' that the SARB would buy for R7 billion and that the SARB would assist with continuing to collect on their bad debts (Investigation Report 2016:35).

This 'bad bank' was eventually renamed as Residual Debt Services (RDS) on 4 April 2016 after the old African Bank yielded its banking licence as was required under the Banks Act (94 of 1990) (SENS Announcement, 1 April 2016).

The 'good bank' was capitalised with the help of a consortium of six South African banks, the SARB and the Government Employees Pension Fund (GEPF) (SENS Announcement, 1 April 2016). In her proposal Gill Marcus specified various other requirements as well, including changing their current business model to include transactional banking, and for the holding company to re-list on the JSE again in due course (Marcus, 2014:3).

Figure 8: African Bank Holdings Ltd Structure



In order for the requirements as set out by SARB Governor Gill Marcus to be met, a few hurdles had to be overcome. The Banks Act (94 of 1990) had to be amended, a R7bn government guarantee was required to cover some of the problem debt / loans of the bank, and a new banking licence had to be applied for (Marcus, 2014:5).

When creating the 'Good bank' the following obstacles were faced and dealt with:

- Previously the South African Banks Act (94 of 1990) did not allow a curator of a financial institution to apply for a banking licence.
- The Banks Act (94 of 1990) was amended in order for a curator to fulfil certain tasks that this Act did previously allow a curator to perform (Hogg & Canter, 2015:1). The Banks Amendment Act (3 of 2015) came into effect on 29 June 2015 and now allows curators to apply for banking licences and to dispose and transfer assets and liabilities between companies. According to Hogg and Canter (2015:2) this would ensure that in future there would be an unambiguous way to deal with any bank or financial institution failures.
- As was proposed in the Good Bank Restructuring Proposal of Gill Marcus, the SARB authorised the creation of the 'Good bank' and the 'Good bank' was granted a licence by the FSB to provide services as a Financial Services Provider.
- On 6 May 2015 Brian Riley was appointed as CEO-designate and on 11 June 2015 tax registration numbers for the newly-established companies were received.
- An Information Memorandum was released on 9 September 2015 that contained all the details of the transfer of African Bank into the 'Good bank'. (Mageba, 2015:1)

On 15 March 2016 Tom Winterboer announced the fulfilment of certain other conditions that had been set out in Gill Marcus' proposal in a SENS announcement (SENS Announcement, 1 April 2016).

- The Minister of Finance provided his formal consent for the restructuring of African Bank; and
- The Registrar of Banks gave approval for the registration of the 'Good bank' as a bank and for its holding company to be registered as a bank controlling company in terms of Section 17(1) and 44(1) of the Banks Act (94 of 1990).

On 24 March 2016 the bank announced compliance with these additional conditions:

- The approval of the JSE was given for the registration of the Domestic Medium Term Note (DMTN) programme of the 'Good bank' as well as the listing of these DMTNs from 4 April 2016 (SENS Announcement, 1 April 2016).

The last requirement that had to be fulfilled was receiving the support of the creditors for the restructuring proposal of the Bank and this support was received on 2 March 2016. All the above meant that the new African Bank could again start trading without the assistance of a Curator on 4 April 2016 (SENS Announcement, 1 April 2016). The below 'map' shows the road that the 'Good bank' has taken in order to re-establish itself as a transactional bank.

Figure 9: Strategic map of the journey to a new African Bank



(Internal African Bank Email dated 10 March 2016)

2.10.5 Values and Organisational Culture within African Bank

As was referred to earlier in the chapter, organisational culture plays a vital role in the success of any company. Belias and Koustelios (2014:188) are of the opinion that organisational culture consists of many dimensions, which includes or can influence processes like recruitment, management as well as the relationships between employees. Because of this, they have come to the conclusion that an internal culture

should be formed within a company that incorporates the strategic vision and mission of the company, as this will make it easier for the employees to see themselves as part of the bigger picture and add to the success of the company (Belias & Koustelios, 2014:188).

After being put under curatorship, African Bank attempted to change its organisational culture, one of the reasons being that they needed to be more in line with regulatory requirements like the TCF principle. Treating Customers Fairly (TCF) was put into place by the FSB to ensure that customers were treated in a fair and respectable manner without any prejudice (FSB Website, 2017:1). This principle needs to be followed through the whole product life-cycle, from the product design stage to the complaints handling stage (FSB Website, 2017:1).

The brand that African Bank would like to be known for is 'humanity through banking' (Biggs, 2016:1). The culture within the company is a mixture of all the different South African cultures and therefore the bank feels that it is representative of the diversity of South Africa. As part of the strategic planning of the bank, the following values has been identified in order to ensure that all the employees strive to live up to the brand purpose, and that every customer can walk away knowing that they were 'treated with humanity' (African Bank Website, 2017:1).

The values that African Bank are striving towards include:

- Transparency
- Empathy
- Innovativeness
- Collaboration
- Profit consciousness (Biggs, 2016:4)

When all these values are combined the bank seeks to create a culture consisting of honesty, responsibility, sensitivity and compassion. Adding to this, the value of teamwork and customer-centricity, but also of individuality and innovation is added to the mix. Lastly the bank will always aim to create a balance between the value that the customer receives and the value that the shareholders receive (Biggs, 2016:4). According to the African Bank Holding Limited Integrated Report (2016:1) the bank is

of the opinion that “We are you’ shows that African Bank and its people identify with the Bank's targeted customer base’.

2.11 SUMMARY

When one looks at a country instead of a company, then occasionally the general financial industry is not equipped to deal with new challenges, as was discussed in this chapter when African Bank Investments Limited collapsed and was bailed out by the SARB (Hogg & Canter, 2015 Un-dictated Podcast). Various obstacles needed to be overcome in South Africa before the bank could really be re-established.

According to Michael Seeberg, a principal at the Boston Consulting Group, a bank's failure to come up with proper strategies could erode its customer base. He is also of the opinion that a business rescue or curatorship approach usually has three phases. It starts with an emergency state, then the rebuilding phase and finally the enabling of future growth. The future growth stage according to him can take up to three or four years (Jones, 2014:1). The discussion previously in the chapter shows that African Bank Limited has now entered the rebuilding phase as per Mr Seaborg's view.

Due to the fact that the world today is changing rapidly, organisations have to excel at being innovative and competitive if they want to create value for their shareholders (Dawson & Van Belle, 2013:1-2). Another critical factor that any organisation needs to be aware of is that they need to identify all the factors that could impact their success and longevity (Dawson & Van Belle, 2013:1-2). Wallace *et al.* (2013:165) are of the opinion that in order to build a differentiated and well-known brand a company needs to have the commitment of all its employees. They are also of the view that because the level and quality of service of a company makes it stand out from the competitors, all staff should be of high quality. Writer hereof agrees and thus believes that investing in developing and educating staff is highly important. When employees are committed to an organisation they are much more likely to live out the organisational culture and promote the brand image (Wallace *et al.*, 2013:165).

3 CHAPTER THREE: EMPIRICAL RESEARCH

3.1 INTRODUCTION

The goal of this chapter is to offer a detailed description of the research methodology that was followed as well as to present and critically discuss the results of the empirical research.

The chapter is made up of two stages: firstly a discussion of how the data was gathered and secondly a discussion regarding the data itself. The findings that are discussed include demographic information, the assessment of the identified twelve constructs as well as the reliability of the questionnaire.

A unit of analysis refers to the major body or being that is analysed during a study. In other words it refers to the 'what' or 'who' that will be the main focus of the study. It can be individuals, organizations, groups or institutions, depending on what conclusions the researcher wishes to draw (Elo *et al.*, 2014:4-5). The unit of analysis in this study was one specific financial institution in South Africa. This strategy was followed due to the important insights that could be gained from studying a micro-lender that transitioned into a retail bank, which has not been seen before in South Africa.

This study made use of critical case sampling, which is a form of non-probability sampling (Elo *et al.*, 2014:4-5). This sampling strategy chooses critical cases due to the fact that these cases are of value to the researcher. This assisted in ensuring that logical generalizations could be made by comparing what happened in one case to what might have happened or will happen to others in similar positions.

This unit of analysis was the most suitable to answer the primary research questions because this organization transitioned from a micro-lender into a transactional or retail bank. This research could indicate whether or not it is a sustainable plan to transition from the one to the other. During this research it might be possible to discover something that may have been overlooked in the company, or to confirm that what and how they are planning to achieve this, is in fact the best solution.

The dependability of the research will assess whether or not the process that was followed by the researcher was logical and clearly documented (Houghton *et al.*, 2013:2). The research strove to ensure dependability by clearly documenting all references found in the literature which will leave a traceable audit trail.

3.2 RESEARCH ETHICS

When performing any social research, ethical considerations or principles are very important in order to ensure that no harm comes to any of the subjects, either human or animal, that form part of the study or research. In this specific case, the research encompassed an extensive review of the literature in this field as well as a questionnaire that was sent to a random selection of participants, none of which fell into the category of vulnerable persons that are unable to give informed consent to participate in the study like children or people with mental disabilities. Thus there was no danger of any harm being caused to any subjects.

Attached as part of the ethical clearance process is the 'Ethical requirements for postgraduate studies' from the North-West University, as Annexure 'A'. As Annexure 'B', the researcher attaches the 'Consent from Company in regards to Research'. Lastly in order to ensure that no ethical boundaries are crossed, attached as Annexure 'C' is the 'Application for Research Ethics Clearance: 2016' from the North-West University.

3.3 DATA COLLECTION

A capable and ethical researcher gathers data and information from as many relevant sources as possible. Various questions in regards to the nature of the data should be asked including aspects like who might have the data? Where is the data and what part of it is needed? The researcher also needs to decide how the data will be collected (Elo *et al.*, 2014:4-5).

The main source of data collected was in the form of literature reviews and a questionnaire. In general there are four sources or types of documents that can be examined namely the Internet, instruments that were created by the researcher, public or private records as well as physical evidence that was collected (Bell & Waters, 2014:104).

Due to the fact that all possible respondents in this study had access to e-mail, this method of data collection worked well for this study. The distribution process worked as follows: The CEO of the company provided the researcher with a letter giving permission to distribute the questionnaire amongst the staff, attached as Appendix 5.2.1. The questionnaire that was emailed to the respondents was sent together with a letter that guaranteed confidentiality and also assured them that completing the questionnaire was voluntary. In order to ensure that the respondents remained anonymous the data was captured onto an Excel spreadsheet after which the returned emails were destroyed. A follow-up email was sent to the respondents in order to ensure that as many as possible of the questionnaires would be returned. 110 questionnaires were mailed and 58 completed questionnaires were received back which represents a response rate of 52.7%.

3.4 DESIGN OF SURVEY QUESTIONNAIRE

To assess the critical success factors relating to the success of the company a questionnaire that was based on research done by Dension and Fey (2003:1) was amended and distributed amongst participants. The questionnaire was also used by Lui *et al.* (2009:5) to compare the relationship between organizational culture, which in this questionnaire is used as an all-encompassing term for various success factors, and the effectiveness or possibility of success of organisations.

The questionnaire focused on twelve constructs namely:

- Empowerment
- Team orientation
- Capability development

- Core values
- Coordination and integration
- Creating change
- Customer focus
- Organisational learning
- Strategic direction and intent
- Goals and objectives
- Vision
- Organisational performance

The reason that these twelve constructs were used was in order to investigate the answers of whether the most important aspects for developing or changing into a successful organization, or more specifically in this case into a successful retail bank, are in place. These are:

- Organisational culture (*Core values, Customer focus, Team orientation*)
- Leadership (*Empowerment, Creating Change, Organisational performance*)
- Systems or Capability development
- Organisational structure (*Coordination and integration, Organisational learning, Strategic direction and intent, Goals and objectives, Vision*)

In order to measure the twelve constructs the researcher made use of a 5-point Likert scale that consisted of five statements that ranged from strongly disagree (1) to strongly agree (5). The only part of the questionnaire that did not always adhere to this type of questioning was the demographic information section. This section included questions relating to gender, age, race, work experience and level of education.

3.5 STATISTICAL ANALYSIS OF RESULTS

The steps that the researcher followed to analyse the data included the following: After the data had been collected, the researcher familiarized herself with the data. This was to ensure that there were no errors in the data. Then the data was captured in Microsoft Excel, after which it was statistically analysed by using SPSS Version 24. In

order to ascertain the reliability of the questionnaire the Cronbach alpha coefficients were calculated which showed that the data from the questionnaires was in fact reliable. The Cronbach alpha is discussed in more detail under the heading *Section F: Reliability of Constructs*.

In regards to the trustworthiness of the data, Cope (2014:89) is of the opinion that research findings are valid if they accurately represent what is really happening in any given situation. When what needs to be measured is actually measured then the researchers' methodology and measuring instruments will be seen as valid. Cope (2014:89) is also of the opinion that in order to measure trustworthiness of qualitative research the research needs to be credible, dependable, confirmable and transferable. In other words if the measuring instrument that is used measures what it should in a consistent manner then the findings can be seen as reliable.

3.5.1 SECTION A: DEMOGRAPHIC PROFILES

As part of the demographic profiles the gender of the respondents is presented in Table 1:

Table 1 Demographic results – Gender

Gender	Frequency	Percent
Male	21	36.20%
Female	37	63.80%
Total	58	100.00%

The above table shows that 36.20% of the respondents were males and 63.80% were females.

The ages of the respondents are presented in Table 2:

Table 2 Demographic results – Age

Age	Frequency	Percent
20-25	4	6.90%
26-30	4	6.90%
31-35	8	13.80%
36-40	12	20.68%
41-45	9	15.51%
46-50	17	29.31%
50+	4	6.90%
Total	58	100.00%

When the above table is scrutinized, it shows that the majority of respondents fell into the 46-50 year category. The 36-40 age group is second with 20.68%, followed by the 41-45 year old group (15.51%) and the 31-35 year olds (13.80%). The respondents that fall within the 20-30 year old age group as well as those that are aged above 50 were the smallest groups of participants.

The different race groups of the respondents are presented in Table 3:

Table 3 Demographic results – Race

Race	Frequency	Percent
Black	31	53.44%
White	17	29.31%
Coloured	2	3.44%
Indian	5	8.64%
Other	3	5.17%
Total	58	100.00%

The above table shows that the majority of respondents were Black (53.44%) followed by Caucasian or White participants (29.31%). The Indian (5%), Coloured (2%) and Other (5.17%) groups who participated in the study are in the minority.

Another part of the demographic profile shows the level of employment of the respondents and is shown in Table 4:

Table 4 Demographic results – Level of employment

Level of employment	Frequency	Percent
Junior	17	29.31%
Middle	19	32.80%
Senior	14	24.10%
Specialist	7	12.09%
Unsure	1	1.70%
Total	58	100.00%

The majority of participants are currently part of middle management (32.80%), junior positions (29.31%) and in senior management positions (24.10%). One respondent was unsure about his level of employment while 12.09% were in specialist positions.

The departments in which the respondents work are presented in Table 5. By department the question actually referred to whether the participant is working in the Administrative Head Office located in Midrand, or whether they were part of the Sales network that works in various different branches across the country.

Table 5 Demographic results – Department (Head Office_Midrand / Branch network)

Department (Head Office_Midrand / Branch Network)	Frequency	Percent
Midrand	16	27.60%
Branch	42	72.40%
Total	58	100.00%

When looking at the above table, 27.60% of the respondents work at the Administrative Head Office, while 72.40% are employed in the sales/branch network.

The qualification levels of the respondents are presented in Table 6:

Table 6 Demographic results – Highest qualification

Highest Qualification	Frequency	Percent
Below Matric	2	3.44%
Matric	14	24.10%
Diploma / Certificate	31	53.44%
Degree	8	13.82%
Post Graduate degree	3	5.20%
Total	58	100.00%

The above table shows that the majority of respondents have either a Diploma or Certificate (53.44%). Then there is a relatively large group that only has Matric (24.10%). A small percentage of the respondents have a degree (13.82%) or a post-graduate degree (5.20%). Two of the respondents have no qualifications at all.

This part of the demographic profile provides information on the years of work experience that the respondents have and is shown in Table 7:

Table 7 Demographic results – Years of work experience

Years of work experience	Frequency	Percent
Less than 1 year	0	0.00%
1 - 5 years	6	10.35%
5 - 10 years	10	17.24%
10 - 15 years	18	31.03%
15+ years	24	41.38%
Total	58	100.00%

When looking in depth at the above table it is clear that the majority of respondents have been working for more than 15 years (41.38%). There are also quite a few that

has been working between 10 – 15 years (31.03%). A smaller group of participants have been working for 5 – 10 years (17.24%) and the smallest group has been working for less than 5 years (10.35%).

3.5.2 SECTION B: ORGANIZATIONAL CULTURE

Table 8 shows the results of the *Organizational Culture* assessment from the 58 participants. The results have been sorted from the highest mean to the lowest mean. In terms of the section regarding 'Team Orientation', the participants felt that the statement 'teams are the primary building blocks of the organization' is the most important factor thereof as it has the highest mean of 4.03. They felt that even though the organization relies on horizontal control and coordination to get work done some hierarchical coordination can also be seen as this scored the lowest mean of 3.71.

For the questions about the 'Core Values' of the organization the participants gave the indication that the organization definitely has an ethical code that guides the behaviour of employees and this had the highest score of 4.16. As the fact that the statement 'we often have trouble reaching agreement on key issues' only has a mean score of 3.12; this could indicate that one or more of the core values of the organization, e.g. transparency and collaboration, may need some attention.

When examining the statements regarding 'Organisational Learning' the highest mean of 3.86 referred to the statement 'we view failure as an opportunity for learning and improvement'. As this mean is relatively high, the assumption can be made that the majority of respondents feel that they are allowed to make mistakes as long as they learn from these mistakes and improve their performance. The lowest mean was given to the question about whether the company encourages and rewards those who take risk (3.19). This seems to be slightly contradictory to the previous statement because if a company views failure as a growth opportunity, then they should also reward those who take risks.

The standard deviation (α) explains how far the different means of a certain group are spread out from each other. The closer the standard deviation (α) is to one, the more

the answers were similar (Niles, 2017:1). In terms of these 12 statements the α ranges from 1.176 for the statement that we view failure as an opportunity for learning to 0.878 for the statement that teams are the primary building blocks of the organization. As the lowest α is 0.878 it suggests that most of the answers to the question are close to the average, or at least that most of the participants had the same view in regards to the question, and the same is true for the highest α of 1.176.

Table 8 Organisational Culture constructs

Organisational Culture				
Number	<i>Team Orientation</i>	N	Mean	Std. Dev
A6	Teams are the primary building blocks of this organisation	58	4.03	0.878
A4	Working in this organisation is like being part of a team	58	3.91	1.014
A5	This organisation relies on horizontal control and coordination to get work done rather than on hierarchy	58	3.71	0.955
	<i>Core Values</i>			
A12	This organisation has an ethical code that guides our behaviour and tells us right from wrong	58	4.16	1.005
A11	There is a clear and consistent set of values in this organisation that governs the way we do business	58	4.03	0.991
A13	When disagreements occur, we work hard to achieve solutions that benefit both parties in the disagreement	58	3.69	0.902
A14	It is easy to reach consensus, even on difficult issues	58	3.60	0.972
A10	The leaders and managers follow the guidelines that they set for the rest of the organisation	58	3.48	0.960
A15	We often have trouble reaching agreement on key issues	57	3.12	1.019
	<i>Organisational Learning</i>			
A25	We view failure as an opportunity for learning and improvement	58	3.86	1.176
A27	We make certain that we co-ordinate our actions and efforts between different units in this organisation	58	3.45	1.029
A26	This organisation encourages and rewards those who take risk	58	3.19	1.115

3.5.3 SECTION C: LEADERSHIP

If table 9 is investigated then the results of the *Leadership* construct assessment from the 58 participants can be seen. As with the above construct the results have been sorted from the highest mean to the lowest mean. In the section regarding

'Empowerment', the statement that 'decisions are usually made at the level where the best information is available' had the highest mean of 3.74 which indicates that decision making according to the participants is done relatively well. But they also felt that not everyone in the organization believes that they can make a difference or have an impact as this statement had the lowest mean of 3.62.

When looking at the statements regarding 'Change' the highest mean of 3.93 refers to the statement 'that the organization continually adopts new and improved ways to work'. This could be interpreted that the participants feel that the organization is not stagnant and willing to move forward. The lowest mean (3.67) was given to the statement 'the organization responds well to competitors and other changes in the business environment'. Even though the mean score is the lowest, it still suggests that the respondents believe that the organization does respond well to competition.

The statements regarding 'Customer Focus' is mostly positive as the statement with the highest score of 3.81 shows that the participants feel that comments from customers are taken into account and leads to change in the organization. Even though it seems like the lowest score of 2.6 might be a problem, it is actually a good thing as this shows that the participants do not feel that the interests of customers get ignored. In terms of these nine statements the α ranges from 1.305 for the statement regarding the interests of customer. This shows that the answers from the participants varied but read with the mean one can see that the minority of respondents agreed that that interests of the customers get ignored. The rest of the α ranges are very close to the same which is an indication that most of the participants had the same view in regards to these questions.

Table 9 Leadership constructs

Leadership				
Number	<i>Empowerment</i>	N	Mean	Std. Dev
A1	Decisions are usually made at the level where the best information is available	58	3.74	1.036
A2	Information is widely shared so that everyone can get the information he or she needs when it's needed	58	3.66	1.117
A3	Everyone believes that he or she can have a positive impact	58	3.62	1.023
	<i>Creating change</i>			
A21	This organisation continually adopts new and improved ways to do work	58	3.93	1.057
A19	This organisation is very responsive and changes easily	58	3.79	1.072
A20	This organisation responds well to competitors and other changes in the business environment	58	3.67	1.033
	<i>Customer Focus</i>			
A22	Customer comments and recommendations often leads to changes in this organisation	58	3.81	1.115
A23	Customer input directly influences our decisions	58	3.72	1.105
A34	The interests of the final customer often get ignored in our decisions	58	2.66	1.305

3.5.4 SECTION D: SYSTEMS OR CAPABILITY DEVELOPMENT

Table 10 depicts the results of the *Capability Development* construct assessment from the 58 participants. Again the results have been sorted from the highest mean to the lowest mean. In the section regarding 'Capability Development', the highest mean (3.83) can be attributed to the statement that 'the company is constantly improving compared to its competitors in many dimensions'. Following closely is the statement that the company constantly invests in the skills of its employees (3.76). Lastly the lowest mean of 3.62 can be seen in the statement 'the capability of people in this organization is viewed as an important source of competitive advantage'. The fact that the mean scores of all three statements are closer to 4 than to 3 means that more participants agree that the company does invest in its people and systems in order to gain a competitive advantage. The α scores of all three are also very close to one another, ranging from 0.961-1.094 which confirms that there is general agreement among the participants in this regard.

Table 10 Capability Development constructs

Systems				
Number	Capability development	N	Mean	Std. Dev
A7	The organisation is constantly improving compared with its competitors in many dimensions	58	3.83	1.094
A8	This organisation continuously invests in the skills of employees	58	3.76	0.961
A9	The capability of people in this organisation is viewed as an important source of competitive advantage	58	3.62	0.970

3.5.5 SECTION E: ORGANISATIONAL STRUCTURE

The results contained in table 11 measured the results of the *Organisational Structure* construct assessment from the 58 participants. When looking at the section regarding 'Co-ordination and Integration', the statement that 'there is good alignment of goals across levels of the organisation' had the highest mean of 3.52 which indicates that there is general agreement amongst respondents that the organisation's goals are aligned throughout the company. Even though this is their perception, they also seem to feel that it is not always easy to coordinate projects across all levels and departments of the company as this statement scored 3.33.

In terms of the sections regarding 'Strategic direction and Intent', 'Goals and Objectives' and 'Vision' all the statements show a very high mean, ranging from 4.14 - 4.24, 3.81 – 3.95 and 3.91 – 4.00. According to these scores the deduction can be made that the most of the participants are in agreement that the organization has long term purpose and direction, as well as a clear mission and strategy. They are also relatively certain that ambitious but realistic goals have been set and that the leadership has clearly stated the goals they are trying to meet and that all levels of the organization are in agreement as to these goals and objectives. Lastly the respondents indicated that there is a shared vision throughout the company that excites and motivates all employees.

These 12 statements have a α range from 0.847 to 1.066 with the smallest being the statement that there is widespread agreement about the goals of the organization and

the highest being the statement regarding viewing failure as a learning opportunity, but in general the answers did not vary much from the average.

Table 11 Organisational Structure constructs

Organisational Structure				
Number	<i>Coordination and integration</i>	N	Mean	Std. Dev
A16	People from different organisational units still share a common perspective	58	3.43	1.011
A17	It is easy to coordinate projects across functional units in this organisation	58	3.33	1.066
A18	There is good alignment of goals across levels of this organisation	58	3.52	1.013
	<i>Strategic direction and Intent</i>			
A28	This organisation has long term purpose and direction	58	4.24	0.979
A29	This organisation has a clear mission that gives meaning and direction to our work	58	4.14	1.017
A30	This organisation has a clear strategy for the future	58	4.17	0.976
	<i>Goals and Objectives</i>			
A31	There is widespread agreement about goals of the organisation	58	3.95	0.847
A32	Leaders of the organisation set goals that are ambitious but realistic	58	3.81	0.945
A33	The leadership has clearly stated the objectives we are trying meet	58	3.90	0.912
	<i>Vision</i>			
A34	We have a shared vision of what this organisation will be like in the future	58	3.98	0.927
A35	Leaders of this organisation have a long term orientation	58	4.00	0.879
A36	Our vision creates excitement and motivation for our people	58	3.91	0.978

3.5.6 SECTION F: RELIABILITY OF CONSTRUCTS

The researcher determined the internal consistency among all the constructs by calculating the Cronbach's Alpha coefficients. According to the UCLA Statistical Consulting Group (2016:1) the Cronbach's Alpha is not in fact a statistical test, but it is actually a test for reliability or consistency of a data set. A reliability or consistency coefficient of 0.70 or more is generally considered to be reliable (UCLA: Statistical Consulting Group, 2016:1). As can be seen from Table 12, 11 of the 12 constructs were above 0.7 and can thus be seen as reliable (Organisational Learning is at 0.693,

but rounded will amount to 0.7). Only the construct Customer Focus has a low score of 0.516. Certain authors are of the opinion that scores in excess of 0.5 can still be seen as reliable, in contrast to authors who feel that 0.7 is the lowest acceptable score (Cho & Kim, 2014:218). In this study however the fact that Customer Focus has a lower score than the other constructs is a worrying factor as being Customer focused is an important factor in rebuilding a failed institutions reputation (Van Der Westhuizen, 2014:93). It is also one of the core focus points that African Bank wants to achieve as discussed under 2.10.5 *Values and Organisational Culture within African Bank*.

Table 12 Reliability of constructs

Descriptive Statistics				
	N	Mean	Std. Deviation	Cronbach's Alpha
Empowerment	58	3.672	0.910	0.823
Team Orientation	58	3.885	0.779	0.755
Capability Development	58	3.736	0.839	0.776
Core Values	58	3.684	0.708	0.819
Coordination and integration	58	3.425	0.909	0.857
Creating Change	58	3.799	0.943	0.875
Customer Focus	58	3.626	0.840	0.516
Organisational Learning	58	3.500	0.872	0.693
Strategic direction and Intent	58	4.184	0.964	0.972
Goals and Objectives	58	3.885	0.815	0.888
Vision	58	3.966	0.844	0.894
Organisational Performance	58	3.594	0.871	0.846

3.6 SUMMARY

If all the above results are taken into consideration then it can be seen that the majority of respondents felt that the organization has a clear long-term strategy with a clear vision for the future. The employees are aware of the strategic direction of the

company and they feel that ambitious but realistic goals have been set, that needs to be met if the vision is to be achieved. From the data it can also be inferred that the respondents feel that the decision-making processes in the company are well-structured and effective. The results indicate that most of the respondents feel that there is some hierarchical control from the top down, but also that the organization relies more heavily on horizontal control and that there are well-defined teams that work well together towards the company's goals. Even though they feel this way, it seems as if there are some issues regarding the co-ordination of projects between teams.

There is a general feeling that the company embraces change and responds well to competitors by having well-developed products. One of the main focus areas of the company as stated in Chapter 2 is to be customer-centric. The general feeling amongst the respondents showed that they are of the opinion that the customers' needs are taken into consideration. There seems to be some uncertainty regarding the values within the company because some employees feel that they personally cannot make an impact and also that they are under-valued. The research shows that under-valued employees are more likely to resign than those who feel that they have value and can make a difference in any company (Carrington, 2014:1). The results indicate that the employees that feel undervalued are in the minority because the most of the respondents do have the perception that the company invests in their staff as well as in their system capabilities in order to achieve a competitive advantage.

4 CHAPTER FOUR: CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

The reason behind this research was to ascertain whether or not it would be possible for a failed micro-lender to transition successfully into a retail bank and what critical factors would assist a micro-lender in doing this successfully. From the above literature review and the dataset that was analysed, the researcher draws the conclusion that the views of Rajasekar (2014:178) and Maseko (2012:12) are correct when they argued that in order for any institution to successfully implement change or in the case of the bank, transition from one entity to another, the following are critical success factors:

- The organisational culture
- The leadership and the structure of the organisation
- The organisation's systems.
- Strategic priorities and planning
- Innovation

Rus *et al.* (2015:680-681) also identified certain other factors that have an impact on a company's strategy such as being able to sustain the management of the company's product portfolio, technological abilities of the company that goes hand in hand with information systems management and managing regulations.

4.2 MAIN FINDINGS FROM THE STUDY

If the above literature review is critically evaluated, then the researcher should be in a position to prove that the objectives of the study were either reached, or that there was enough evidence that they were disproved. For purposes of this study and in order to answer the primary objective of ascertaining whether or not it would be possible for a failed micro-lender to transition successfully into a retail bank and what critical factors would assist a micro-lender in doing this successfully, the following secondary objectives need to be evaluated as well.

1. Was a questionnaire formulated that investigated the organizational and management culture within the specific institution?
2. What did the questionnaire reveal about the question of whether or not the culture amongst the staff can be a deterring or enabling factor in this transition?
3. Are the employees of the opinion that the way the company is being managed is done in a positive and constructive way?
4. Did the questionnaire answer the question of how the changes in the company were experienced, and whether or not staff felt empowered by the new vision and direction of the company?
5. What were the general employee satisfaction levels and their overall opinion of how well the company was doing at the moment?

A questionnaire was formulated and sent to random respondents within African Bank in order to answer the above questions. The management culture within the bank was perceived to be one of a low level of hierarchical control with the focus being more on horizontal control. The results also indicated that the staff felt that decision-making was done at the correct levels. The correlation of 0.8 between the constructs that measured the management culture shows that there is a relatively strong relationship between the management culture and the organisational performance meaning that the two are closely linked. This is in line with what Rajasekar (2014:173) and Bell *et al.* (2010:243) found about the structure and decision-making processes within any company as he is of the opinion that if this aspect is clear then it gives all stakeholders a visual clarification of the decision-making process as well as the allocation of resources. As was indicated in the Myburgh Report (2016:xxv) the previous ABIL's leadership, mainly the CEO Mr Kirkinis, could not always be persuaded to make the correct decisions, even when some members of the Board of Directors tried to convince him to make more prudent decisions, especially relating to impairment practices and credit policies.

The respondents indicated that they felt that the company's leadership had a clear strategic vision and had communicated this to their employees in an understandable manner. There was a general feeling that the vision, strategic plans and goals of the company were ambitious, yet realistic and achievable. There is a correlation of 0.8 between these aspects which shows how closely related they are to the organisation's

performance. In the past, ABIL struggled with an overly ambitious strategic vision and as the Myburgh Report (2016:1vi) found that even though ABIL had no intention to defraud investors, the Board did not make prudent business decisions especially in regards to the bank's risk appetite. There was an indication from the respondents that the current leadership abides by the values that they have set and implemented in the bank. This is in line with research done by Belias and Koustelios (2014:189). According to Carrington (2014:1) leaders or managers can play a pivotal role in creating the culture within any organisation and successful leaders can make create a remarkable transformation in an organisation if they engage and inspire their employees by being an example. When the research done by Aarons *et al* (2015:2) and Burnes (2015:93) are considered, then African Bank could profit from providing their middle and lower management staff with better skills to manage change and the implementation of new strategies.

When the respondents were asked about the way the company manages change and the effect that team work has on the change process, the correlation between the different constructs measuring this was 0.85. This means that according to the results change management, project co-ordination and the development of products have a strong impact on the performance of the bank. They felt that the teams working on projects are well-defined even though there is also a feeling that the way in which these team co-ordinate projects, could be improved. The majority of respondents indicated that they felt that the bank embraces change and when needed they can relatively easily adapt their products or develop new products in order to remain competitive because of the fact that their systems are constantly being improved and their employees up skilled. One of the things that could have the biggest impact on any company is reputational damage, as ABIL saw. The Investigation Report (2016:212) of the NCR indicated that ABIL's systems did not have all the necessary controls in place to prevent fraud, which resulted in a R300 million fine.

In terms of the organisational culture within the bank, the respondents showed that they felt that the main focus of the bank had shifted towards the customer and that the needs and opinions of the customers were usually taken into consideration when decisions are made, or when new products are designed. Rus *et al*. (2015:680) and Baden-Fuller and Haefliger (2013:424) contended that this was essential for the

growth of a company. The respondents also indicated that a clear set of values had been implemented in the bank and that it did have an impact on the way that business was conducted, both internally and externally. When it comes to the respondents' perceptions regarding the impact that they can make or the value that they add to the company, there were mixed results with some respondents feeling under-valued and others feeling as if they were a part of the creation of the new venture. There is a correlation of 0.7 between the constructs measuring these aspects, which mean that the relationship between the two is still relatively large, but not as closely correlated as might be expected, seeing that customers as well as employees should be the main focus of a service company.

This leads the researcher to agree with the opinion of Carrington (2014:1) when she argues that under-valued and or unappreciated employees are more likely to resign than those who feel that they have value and can make a difference in any company. However there is a slight contradiction to the above results from the respondents, because even though there is a perception among some employees that they are undervalued, the results indicate that the majority of respondents felt that the company continually invests in their employees in order to up skill them and that the company views their employees' capabilities as an important resource in terms of having the competitive edge above competitors.

When all of the above is considered, the fact that the means or averages of the answers in regards to the performance of the bank are relatively high is a reflection of the respondents' answers. They were positive in regard to the development of new products as well as the quality thereof. If these aspects are rated highly, then it should mean that the overall performance of the company, the profitability, sales and market share should also be rated highly, which it was. Due to the fact that not all employees were completely satisfied with the bank is also reflected in the employee satisfaction score, which is the lowest of the means. Though it is the lowest, it is still above the average of 3.

Table 13 Organisational performance

	<i>Organisational Performance</i>	N	Mean	Std. Dev
B5	New product development	58	3.97	1.075
B4	Quality of products or services	58	3.69	1.046
B7	Overall organisation performance	58	3.69	1.158
B3	Profitability/ROA	58	3.64	1.280
B1	Sales/Revenue growth	58	3.62	1.335
B2	Market share	58	3.48	1.354
B6	Employee satisfaction	58	3.07	1.168

4.3 CONCLUSIONS AND RECOMMENDATIONS

According to Shikuta (2013:2), if the management of an organization ensures that they are aware of any competition or changes in their specific environment, they should design and adapt their strategies so that they will be able to compete successfully in that environment. The writer hereof contends that the research regarding the bank suggests that management is aware of changes in the environment, and their products and strategies are adapted to meet these demands. In order to ensure that all the employees are motivated to strive towards achieving the goals of the bank, more effort should be put into the well-being and flourishing of the employees, seeing that there are still some who do not believe that they can make an impact, or that their opinions count. As discussed by Van Der Westhuizen (2014:93) customer focus is one of the critical success factors that an institution should strive towards if they want to be successful.

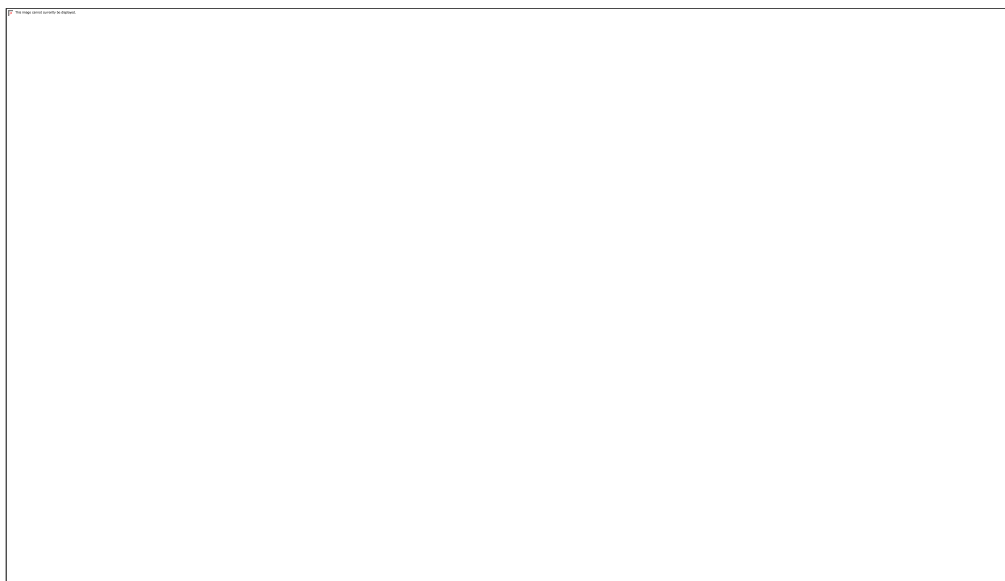
Eades (2017:1) is of the opinion that the best leaders can concurrently ensure that their employees are treated with both love and discipline. This will ensure that their departments have low turnover rates, and in behaving in this way, they will create leaders for the future. He calls this a welder type of leader or manager. Leadership and Change Management expert Patrick Lencioni defined this leadership style as a way of 'Holding people accountable for their behaviour is an act of love' (Eades, 2017 Podcast).

According to Rus *et al.* (2015:680-681) he is in agreement with the three general strategies that Porter defined in the 1980s. These include producing quality products or services at a low cost, differentiating your company from the others in your market and focusing on niche markets. Maree and McKenzie (2014:605) define strategic innovation as follows: 'the process of innovating a company's business model for either the company as a whole, or for a specific offering, in an attempt to re-conceive existing markets so as to alter the competitive formula for an industry'. The results of the research indicate that African Bank is in the process of developing quality products and in this way is attempting to differentiate themselves from their competitors. The CEO Brian Riley (Riley, 2016:1) said that they were also looking at reaching more affluent customers, and the bank is also attempting to enter niche markets by joining forces with companies such as MMI Holdings Limited (Riley, 2017:1).

In order to ensure that the new African Bank does not need another bailout the researcher is of the opinion that when the above review of the literature and the results of the questionnaire are taken into consideration the following are some of the most important aspects of their strategic plan for the future that they need to consider very carefully.

- They need to ensure that their lending criteria are aligned with any changes in market conditions. As per the Investigation Report (2016:252-253) the previous Board of ABIL did not ensure that this aspect of their risk management portfolio was managed appropriately and in order to ensure that African Bank does not follow in their predecessors footsteps, this is an important factor to manage.
- When proposing joint ventures or new partnerships they should ensure that proper due diligences are done and ensure that such ventures are meaningful investment decisions.
- The board of directors need to make sure that they constantly challenge and review their own decisions in order to ensure that their risk appetite, risk management and strategic decisions are sound.
- In regards to lower and middle level management, attention should be given to up skilling these employees in order to ensure that they have the competencies to manage any changes or implement new strategies, with the buy in of all employees.

- When attempting to develop new product lines, their system capacities should be sufficiently tested before any attempts are made to reveal them to the public.
- Their credit and underwriting policies need to be of a high standard and they need to ensure that they adhere to all regulatory requirements at all times.
- The findings of this study indicate that African Bank should give more attention to ensuring customer satisfaction through a more pertinent focus on their customer.
- The company needs to give more attention to the engagement or satisfaction levels of the employees as the data collected indicates that even though a slight majority of the employees are satisfied, there are still many who feel that they are either under-valued or not completely satisfied with the way they are treated.
- In a recent engagement survey that African Bank did, the results were as follows:



(African Bank Internal Email, 2017)

- The deduction that can be made from these results is in line with the data collected and indicates that only 48% of the employees are very satisfied with the company while 52% felt that African Bank could improve their employee value propositions.

4.4 SUMMARY

To quote the CEO of African Bank, Brian Riley 'To create sustainability in the long term, African Bank is diversifying from a mono-line business, offering only credit, to a multi-product retail banking business' (Riley, 2016:1). He is also of the opinion that as part of the future strategies they need to look at refining their existing products, ensuring that there is a strong correlation between the risk and return ratio of the products, attempting to gain more affluent customers, as well as ensuring that these products reach their clients in a way that has meaning to the clients. Extreme focus and attention is being given to a high standard of client services (Riley, 2016:1).

By being open and honest in all communication between employees and superiors, there will be fewer misunderstandings and false expectations that are not met. Leaders who are seen as good leaders have the ability to be approachable and when they are approached, they are understanding, compassionate and emphatic towards others. Due to the fact that all employees are human, they will have problems or crises from time to time, and good managers need to be able to understand that.

Exploring these factors led the researcher to believe that the following are important factors for a company to consider when aiming to be successful:

- The strategic processes including strategic planning, organizational structure and the optimal allocation of resources are very important. The research of Maree and McKenzie, (2014:616), Shikuta, (2013:1) and Adner and Kapoor (2010:306) is in line with this finding.
- The researchers' findings agree with those of Liu *et al.* (2009:2) and Carrington (2014:1) when finding that the management of the company's culture and employees in an uplifting and constructing manner as investing in employees are a critical factor for creating diversity and intellectual capacity.
- Ensuring that systems are constantly measured against the changing needs of the industry and creating innovative products to cater for the needs of customers (Rajasekar, 2014:178, Wilden *et al.*, 2013:72 & Malladi (2013:1).

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5.1 LETTER OF LANGUAGE EDITOR

Declaration

This is to declare that I, Annette L Combrink, accredited language editor and translator of the South African Translators' Institute, have language-edited the mini-dissertation by

R Botha (0000-0002-5561-5489)

With the title

**Transitioning from a failed micro-lender to a transactional
bank**



*Prof Annette L Combrink
Accredited translator and language editor
South African Translators' Institute
Membership No. 1000356
Date: 29 October 2017*

5.2 QUESTIONNAIRE

5.2.1 Participation Letter

Participation Letter and Research Questionnaire

Title: Transitioning from a failed micro-lender to a transactional bank: A specific case study

Dear Participant

You are hereby requested to take part in this research study which will be conducted by Ms René Botha. This will form part of my Master Degree in Business Administration (MBA) from the North West University School of Business & Governance. In order to complete this degree, I am required to submit a dissertation for which I require your participation. The purpose of this questionnaire will be to assess the influence that the recent changes in African Bank Limited have had on the staff members.

If you decide to take part in this study, please understand the following:

- It should not take you more than 10 minutes to complete the questionnaire.
- Approval from the CEO, Brian Riley has been received to complete this study; therefore you do not need to be apprehensive about participating.
- All of your responses will be anonymous and confidential and it will only be used for research purposes, and it will in no way impact your role in the organization.
- The participation in the study is completely voluntary, meaning that it is up to you to decide whether or not you want to participate and you may decide to withdraw at any time.
- If you have any further questions in regards to the study, please contact me on 082 575 1856 or email me on rene_venter@hotmail.com / rbotha@africanbank.co.za

Thanking you in advance



Ms René Botha

5.2.2 Questionnaire

Dear participant, thank you for sparing your precious time to complete this questionnaire!

BIOGRAPHICAL INFORMATION:

The following information is needed to enable meaningful data analysis. Your help in providing this information is appreciated. Please mark the appropriate box with an X

Example

BIO1	Age	Years		Months		
		35		3		
BIO2	Gender	Male		Female		
		X				
BIO3	Race	Black	White	Coloured	Indian	Other
				X		

BIO1	Age	Years		Months		
BIO2	Gender	Male		Female		
BIO3	Race	Black	White	Coloured	Indian	Other
BIO4	Level of employment	Junior	Middle	Senior	Specialist	Unsure
BIO5	Department	Head Office / Midrand	Branch Network			

BIO6	Highest Qualification	Below Matric	Matric	Diploma / Certificate	Degree	Post graduate Degree
BIO7	Years of work experience	Less than 1 year	1 – 5 years	5 – 10 years	10-15 years	More than 15 years

SECTION A:

		1	2	3	4	5
	<i>IN THIS ORGANISATION</i>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	Empowerment					
1	Decisions are usually made at the level where the best information is available					
2	Information is widely shared so that everyone can get the information he or she needs when it's needed					
3	Everyone believes that he or she can have a positive impact					
	Team orientation					
4	Working in this organisation is like being part of a team					
5	This organisation relies on horizontal control and coordination to get work done rather than on hierarchy					
6	Teams are the primary building blocks of this organisation					
	Capability development					

7	The organisation is constantly improving compared with its competitors in many dimensions					
8	This organisation continuously invests in the skills of employees					
9	The capability of people in this organisation is viewed as an important source of competitive advantage					
	Core values					
10	The leaders and managers follow the guidelines that they set for the rest of the organisation					
11	There is a clear and consistent set of values in this organisation that governs the way we do business					
12	This organisation has an ethical code that guides our behaviour and tells us right from wrong					
13	When disagreements occur, we work hard to achieve solutions that benefit both parties in the disagreement					
14	It is easy to reach consensus, even on difficult issues					
15	We often have trouble reaching agreement on key issues					
	Coordination and integration					
16	People from different organisational units still share a common perspective					
17	It is easy to coordinate projects across functional units in this organisation					

18	There is good alignment of goals across levels of this organisation					
	Creating change					
19	This organisation is very responsive and changes easily					
20	This organisation responds well to competitors and other changes in the business environment					
21	This organisation continually adopts new and improved ways to do work					
	Customer focus					
22	Customer comments and recommendations often leads to changes in this organisation					
23	Customer input directly influences our decisions					
24	The interests of the final customer often get ignored in our decisions					
	Organisational learning					
25	We view failure as an opportunity for learning and improvement					
26	This organisation encourages and rewards those who take risk					
27	We make certain that we co-ordinate our actions and efforts between different units in this organisation					
	Strategic direction and intent					
28	This organisation has long term purpose and direction					
29	This organisation has a clear mission that gives meaning and direction to our work					

30	This organisation has a clear strategy for the future					
	Goals and objectives					
31	There is widespread agreement about goals of the organisation					
32	Leaders of the organisation set goals that are ambitious but realistic					
33	The leadership has clearly stated the objectives we are trying meet					
	Vision					
34	We have a shared vision of what this organisation will be like in the future					
35	Leaders of this organisation have a long term orientation					
36	Our vision creates excitement and motivation for our people					

SECTION B:

		The following set of questions asks about the performance of your organisation. Compared to companies like yours, how would you assess your organisation's performance in the following areas?					
	Organisational performance	1	2	3	4	5	Do not know
		Low performer	Below average	Average	Above average	High performer	
	Sales/Revenue growth						
	Market share						
	Profitability/ROA						
	Quality of products or services						
	New product development						
	Employee satisfaction						

	Overall organisation performance						
--	-------------------------------------	--	--	--	--	--	--