



## Comparative analysis of organizational effectiveness in banking: A case study of the Zimbabwean banking sector

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### Abstract

What determines whether banks are operating effectively? This study focused on critically analyzing organizational effectiveness between banks in Zimbabwe. Empirical findings from emerging economies show that foreign-owned banks are more profitable when compared to their locally-owned counterparts (Berger *et al.*, 2009; Demircug-Kunt and Huizinga, 2002). The studies pointed out that the locally-owned banks are relatively less efficient and less profitable as a result of the following reasons: low market share, scarcity of financial resources, poor market capabilities, and poor access to capital markets. Studies in developed economies indicate less profitability and efficiency among foreign-owned banks as compared to locally-owned banks (Berger *et al.*, 2000; Claessens *et al.*, 2001). This study considers organizational effectiveness in terms of profitability, growth and long-term sustainability. The two sampled banks were primarily examined using information from Bankscope database. The Bankscope database was used because the database is considered one of “the most comprehensive global database for banks’ financial statements, ratings and intelligence” (Bureau van Dijk, 2016). The study found that there are no significant differences between the financial performance of banks in Zimbabwe. The banks in Zimbabwe are also adopting the models, frameworks, and methodologies of determining organizational effectiveness.

**Keywords:** organization, organizational effectiveness, banking, zimbabwe

### Introduction

Organizations are social units purposely constructed and reconstructed to pursue specific goals (Etzioni, 1964) <sup>[23]</sup>. An organization is “a system of consciously coordinated activities or forces of two or more persons” (Barnard, 1938) <sup>[5]</sup>. Daft (1992) <sup>[21]</sup> defined an organization as a social entity that is goal oriented, and working with a structured activity system within a defined scope of operation. Etzioni (1964) <sup>[23]</sup> recognized that an organization is characterized by: first, division of labor and clearly defined responsibilities. The divisions are deliberately planned in order to achieve specific goals. Second, organizations are characterized by the existence of one or more clearly defined power centers with the responsibility of controlling and directing the concerted efforts of the organization. The power centers incessantly review the organization’s performance and regularly re-pattern its structure in order to increase its efficiency. Third, organizations have the capacity to substitute personnel. This means that unsatisfactory members of the organizations can be removed and new ones assigned their tasks. These characteristics are evident in banking institutions.

Every organization, including banks, is constructed to be the most effective and efficient social unit. Generally, organizational effectiveness is measured through determining the degree to which an organization realizes its *raison d’etre*, that is, service of goals. There are three different approaches that can be applied when evaluating bank organizational effectiveness: 1) the analysis of the bank balances; 2) the analysis of financial data representing the bank operating in the market; and 3) the analysis of data demonstrating the banking sector structure. Effectiveness summarizes the yield of factors and the achievement of predefined goals, without considering the manner and the resources optimized. Effectiveness has strategic meaning in

bank management. An effective organization refers to one that continually strives to identify and focus on factors critical to its customers and improves its processes in order to provide quality products or services. According to Chinoperekweyi (2018) <sup>[17]</sup>, organizational effectiveness hinges on judicious and strategic use of the organization’s resources.

Organizational effectiveness has been defined as achieving an organization’s “objectives and prevailing societal expectations in the near future, adapting and developing in the intermediate future and surviving in the distant future”. To measure organizational effectiveness in the banking industry, this study adopted both financial and non-financial metrics. The financial metrics for determining organizational effectiveness encompasses such measures as Return on Equity (RoE), Return on Assets (RoA), and Net Interest Margin (NIM). This information is obtained through the analysis of the company’s financial statements; that is, the company’s income statement, balance sheet, statement of changes in equity, and cash flow statement. Corporations should not be judged solely on financial metrics, but also on non-financial (Carroll, 1979) <sup>[15]</sup>. Carroll (2000) <sup>[16]</sup> suggested that organizations have “four faces” or responsibilities to execute in order to be good corporate citizens: economic, legal, ethical, and philanthropic. The non-financial models of determining organizational effectiveness thereby incorporate corporate social responsibility attempts of an organization and its role in creating social impact. Examples of non-financial measures of performance are product/or service quality, customer satisfaction, and employee turnover (Banker *et al.*, 2000) <sup>[4]</sup>. These measures provide company performance information that is not contained in contemporaneous financial measures.

In view of the complexity and uniqueness of banking, a

holistic approach to measuring effectiveness has been adopted in this research in order to determine the variations between different banks. Bank failures can be avoided if banks, like any other business, become strategic and innovative and see sustainability as a defining feature of organizational effectiveness. An effective organization “realizes that intangible assets like brand value, community trust, license to operate, access to capital, and consumer passion require more than a narrow focus on shareholder value creation. Also needed is stakeholder value creation” (Cooperrider, 2012) [20]. To achieve sustainable organizational effectiveness, banks must be confident of the appropriateness of their business models, the reliability of risk mitigation strategies, and that instituted performance indicators and incentive schemes reinforce desired behavior. Therefore, this study focused on the critical analysis of organization effectiveness in the Zimbabwean banking sector.

**Research Objectives**

The main objective of this study is to conduct a comparative analysis of organizational effectiveness between Zimbabwean foreign-owned and locally-owned banks. The following are the specific objectives pursued by the present study:

1. To determine the meaning and significance of organizational effectiveness in the Zimbabwean banking sector.
2. To review the models, frameworks, and methodologies of organizational effectiveness in relation to the Zimbabwean banking sector.
3. To assess the extent of organizational effectiveness between foreign-owned and locally-owned banks in Zimbabwe.

**Review of Literature**

**Organizational Effectiveness: Theoretical Underpinnings**

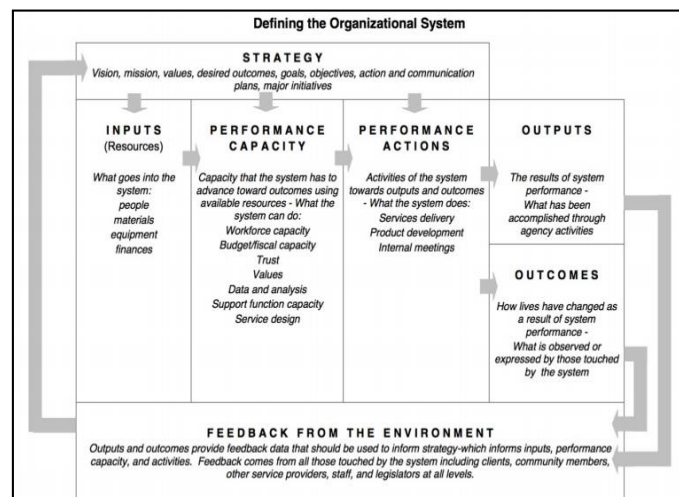
Organizational effectiveness has been extensively researched since the early development of organizational theory (Rojas, 2000) [41]. Attention to the subject of organizational effectiveness has been increasing in the last several years as management scholars have extolled management excellence, and economic conditions have put pressure on organizations to become more accountable with their resources (Cameron, 1986). Organizational effectiveness is a construct that is

founded in the ideals and preferences of evaluators and became more prominent in the 1980s as it switched from being a construct to the status of a concept (Henry, 2011). Organizational effectiveness is considered to have unclear meaning and a lack of consensus on effective techniques to measure it and the disparity in its use (Cameron, 1986). Empirical literature indicates that despite some consensus that (i) the determination of organizational effectiveness calls for numerous criteria, (ii) organizational effectiveness must take into account the means and ends (Robbins, 1983), and (iii) there should be flexibility regarding the choice of model suitable for the context (Cameron, 1986), the definition, circumscription and criteria identification of organizational effectiveness remain a challenge.

Some of the critical components to organizational effectiveness include financial performance, long-term planning, internal structure, and adherence to core values (Senge, 1990) [43]. The concept of organizational effectiveness, particularly in banking, demands that management takes the proper ethical decisions in the interest of all the stakeholders.

The American Public Human Services Association (APHSA) (2002) defined organization effectiveness as “a systematic and systemic approach to continuously improving an organization’s performance, performance capacity and client outcomes”. ‘Systemic’ encompasses taking into account the whole organizational system; ‘systematic’ refers to taking a methodological approach. Therefore, organization effectiveness is a methodological approach to continuously improve the entire organization.

As depicted in Figure 1, effective organizations are described as operating systems that comprises of interconnected moving parts: the shared plan of the organization (strategy); key organizational resources (inputs); organization’s ability to pursue targeted outcomes using available resources (performance capacity); specific organizational activities aimed at achieving the predetermined outcomes (performance actions); overall system performance results (outputs); resultant changes to lives (outcomes); and all stakeholders’ feedback about the performance of the organization relative to the desired outputs and outcomes (feedback from the environment). Feedback is important because it drives continuous improvement of strategy, resources, performance capacity, performance actions, and consequently outputs and outcomes (APHSA, 2009).



**Fig 1:** Defining the Organization System (Adapted from American Public Human Services Association (2009).

Effective organizations make concerted, planned effort to ensure the whole system is perfectly and strategically aligned to achieve the organization's purpose. All strategic initiatives are highly dependent on the effective use of the technical expertise provided by support functions. The support functions should continually develop in order to increase their impact on organizational effectiveness efforts (Senge, 1990) <sup>[43]</sup>. There are numerous ways through which an organization can be effective, and these ways may be relatively independent of one another: Productivity, turnover, efficiency, conflict, employee absenteeism, goal consensus, participation in decision-making, communications and stability. According to Balduck and Buelens (2008) organizational effectiveness revolves round the following four approaches: the system resource approach, the goal approach, the strategic constituency approach and the internal process approach. There are seven critical questions for bounding and assessing effectiveness models (Cameron and Whetten, 1983). The authors state that these questions motivate the analysis and criticism of existing models and the development of new ones:

1. From whose perspective is effectiveness being assessed?
2. On what domain of activity is the assessment focused?
3. What level of analysis is being used?
4. What is the purpose of assessing effectiveness?
5. What time frame is being employed?
6. What type of data is being used for assessments?
7. What is the referent against which effectiveness is judged?"

### Organizational effectiveness models

There are numerous models that attempt to capture the richness of organizational effectiveness both as a construct and a concept. This multiplicity of organizational effectiveness frameworks can be explained by the nature of the organizational effectiveness construct, and also by a range of conceptualizations of organizations that yield different effectiveness models (Cameron, 1984). The different models of organizational effectiveness are useful in determining the performance of the firm. These models are as summarized below:

#### 1. Goal model

This is the most common theoretical perspective on effectiveness. The conventional organizational effectiveness model relies on the firm's vision as a rational set of arrangements focused on achieving set goals (Goodman *et al.*, 1977) <sup>[26]</sup>. The goal model considers organizations as rational entities. The primary focus of the rational goal model is the ability of an organization to achieve predefined goals. The accomplishment of outcomes is the basic measure of effectiveness (Etzioni, 1961) <sup>[24]</sup>. "Its focus is on the output, to figure out the essential operating objectives like profit, innovation and finally product quality" (Schermerhorn *et al.*, 2004) <sup>[42]</sup>.

#### 2. System model

The system model emphasizes the means towards the accomplishment of specific ends. The focus is on inputs, resources and processes (Yuchtman and Seashore, 1967) <sup>[45]</sup>. Effectiveness is explained in terms of the ability to obtain necessary resources from the environments outside the organization (Schermerhorn *et al.*, 2004) <sup>[42]</sup>. The conception of the organization is grounded in the open system approach

whereby the inputs, transformation process and outputs are considered part of the whole and not independent components. The model analyzes the ability of managers and directors to efficiently distribute resources among various subsystems' needs. The organization, in this case, is defined as a network of interrelated subsystems.

### 3. Strategic-constituencies model

The goal and systems model are expanded under the strategic constituencies model. The model adds the expectations of all the powerful stakeholders of the organization (Connolly *et al.*, 1980) <sup>[19]</sup>. The effects of the organization on its key stakeholders are addressed by the strategic constituencies model (Schermerhorn *et al.*, 2004) <sup>[42]</sup>. Effectiveness is therefore a measure of the minimal satisfaction of all stakeholders (strategic constituencies). The strategic constituencies have different roles in an organization. Examples of such roles include consumers of the products or services, resource providers, facilitators of the organization's output, and dependents of the organization (Cameron, 1981) <sup>[12]</sup>. An organization is therefore perceived as a set of internal and external constituencies that negotiate a complex set of constraints, goals and referents.

### 4. Competing-values model

This model constitutes a synthesis and an extension of the goal, system and strategic-constituencies models (Quinn and Rohrbaugh, 1983) <sup>[13]</sup>. Effectiveness under this model is perceived as an exercise grounded in values. Organizational values form the foundation of this model; hence three sets of competing values are juxtaposed to form different definitions of effectiveness. These sets of values are: 1) means-ends dilemma, 2) the internal-external focus dilemma, and 3) the control-flexibility dilemma.

### 5. Ineffectiveness model

The focus of this model is on the factors that inhibit successful organizational performance. An organization is perceived as a set of problems and faults (Cameron, 1984). The basic assumption of this model is that "it is easier, more accurate, more consensual and more beneficial to identify problems and faults (ineffectiveness) than criteria of competencies (effectiveness)". Organizational effectiveness is therefore defined as the absence of inhibiting factors.

Empirical literature shows that organizational effectiveness can be influenced by the organizational design, workplace design, and technology design. These three design elements affect psychological and behavioral effects, workplace practices, and eventually business results. Corporate performance is therefore a result of organization design, workplace design, and technology design. Operating and management principles and practices should therefore address these three design elements in order to generate favorable business impacts.

## Organizational Effectiveness: frameworks and methodologies

### a. Star Model

The Star Model is comprised of different controllable design policies that can influence employee behavior. In order for corporate leaders and managers to effectively shape their decisions and behaviors, they must be skilled in these policies. There are five categories of Star Model design policies: strategy, structure, processes, rewards and people

(Galbraith, 2002) [25]. The five design policies in Figure 2 are therefore useful measures of organizational effectiveness and the design of an appropriate business model in the context of the organization’s direction, power, skills, motivation, and available information.



Fig 2: The Star Model.

**Adapted from Galbraith (2002) [25]**

Star model elements must be perfectly aligned and interacting harmoniously with one another if an organization is to be effective. Design policies alignment is fundamental to the Star Model. Every organization needs to be adaptive and change as quickly as its context changes. Organizations should be designed to be continuously and quickly changeable. Organization structures and processes have to be easily reconfigured and realigned with changing strategy. This requires the skilled use of extensive internal and external networking capabilities (Galbraith, 2002) [25]. The Star Model has its main advantage as the concept of strategic alignment. Policy alignment ensures goal-oriented working and therefore organizational effectiveness. The model also considers adaptability to a constantly changing environment.

**b. The 7S Model**

The 7-S-Model of the former McKinsey management consultants Peters and Waterman Jr. (1982) [37, 38] divide organizations into “hard” and “soft” factors. Figure 3 shows the seven factors that underlie this model. The “hard” factors cover elements more concrete and can be exposed with policy papers, plans and documentations on the development of the organization. The three “hard” or “cold” factors of an organization are: strategy, structure, and systems. The expression “soft” refers to substantially and only marginally concrete elements of an organization that can hardly be described. These elements develop permanently, and can be planned or controlled only limitedly because they are highly dependent on the organization members. These “soft” or “warm” factors are: skills, staff, style (culture), shared values (super-ordinate goals). While the hard factors are easier to test, the assessment of the soft factors is much more difficult but they are at least as important for organizational effectiveness.

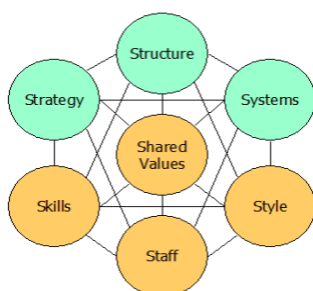
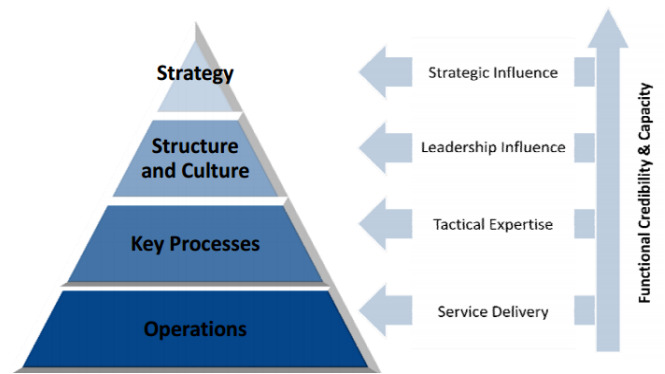


Fig 3: The 7S Model (Peters and Waterman Jr, 1982)

Effectively functioning organizations are characterized by a coordinated balance of these seven factors. In times of change and adjustment, it should be noted that the modification of one factor also impacts on the other factors. An effective organization must aspire towards a right balance between the seven factors. Peters and Waterman Jr. (1982) [37, 48] argue that effective organizations put their attention also on the optimum balance of the soft factors as they can be decisive for success because new structures and strategies can barely be built on completely opposed cultures and values.

**c. Pyramid of Influence**

To ensure coordination of work, organizations should clearly identify the different strategic support of different decision units based on each unit’s decision packages. This is important to assist in the performance of the core work of the organization. Different functions in an organization work to support the organization in achieving its strategic intent (Lynch and Cross, 1991) [34]. As shown in Figure 4 of the Pyramid of Influence, there are four major areas of organizational work. These areas involve understanding how support functions add value to the larger organization.



Source: Lynch and Cross (1991) [34]

Fig 4: The Four Major Areas of Organizational Work

Strategy work involves clearly defining the organization’s aim and game plan, that is, the organization’s purpose, activities, resources, and what it needs to succeed. Structure and Culture work encompasses modeling the organization’s values and communicating these values to all units and stakeholders. It also involves defining and communicating decision units, jobs, levels, work teams, policies, and performance expectations. The definition of specific processes and procedures that support strategy, structure and culture falls under the Key Processes work. The implementation of key processes, service provision, and managing individual performance falls under the Operations work (Lynch and Cross, 1991) [34].

The support function of an organization is expected to perform the most fundamental work of the organization and this is categorized under Service delivery. Service delivery involves efficient management of key organizational information. This information includes staff records, performance data, financial records; and delivering core services in a timely and high-quality manner. Effective completion of the service delivery work will lead to the need for Tactical Expertise in order to help in designing key processes. Tactical Expertise involves gathering information from all internal staff and designing specific processes and procedures. Once the processes and procedures start adding value, organizational leaders will seek guidance to help them

improve their individual effectiveness. This Leadership Influence work involves proactively giving advice to individual leaders in order to help them leverage strengths, close gaps, and pursue strategic priorities. The Strategic Influence function follows to help complete the organization's strategy work. This work involves participating in strategic planning and other executive team meetings and expertly evaluating different approaches to the organization's work (Lynch and Cross, 1991) [34].

Organizations should ensure continuous improvement of strategic support work from the bottom of the pyramid up. The Pyramid of Influence therefore indicates that all the four areas of organizational work are connected to each other. Strategy is at the top of the pyramid because it drives the other three organizational efforts in alignment to it (Nanni *et al.*, 1992) [36]. Organizational structure and culture connects strategy to the day-to-day operations. The support function is important as it adds value in all four major areas. As support functions establish their credibility and effectiveness at the more foundational levels, they will then be able to add value at higher levels of the pyramid. In order to add more value, the strategic support functions should be regularly

streamlined in order to enhance their innovative capacity. Every support function should primarily focus on effectively fulfilling the expected and traditional services before shifting its capacity towards providing more innovative tactical support in developing key processes. As the organization evolves in terms of effectively using the key processes, then it can further refocus toward helping improve the organization's structure and culture through leadership influence; and subsequently toward helping strengthen the organization's overall strategy (Lynch and Cross, 1991) [34].

**d. Kanji Business Excellence Model (KBEM)**

Kanji Business Excellence Model is founded on Total Quality Management (TQM) principles. TQM is a key measure of organizational effectiveness in any organization. These principles are regarded important in improving organizational performances (Kanji, 1998) [28]. "Kanji's model consists of four principles: delight the customer; management by fact; people-based management; and continuous improvement" (Kanji, 1998) [28]. Each of the four principles is divided into two core concepts as in Table 1.

**Table 1:** Kanji Business Excellence Model Principles

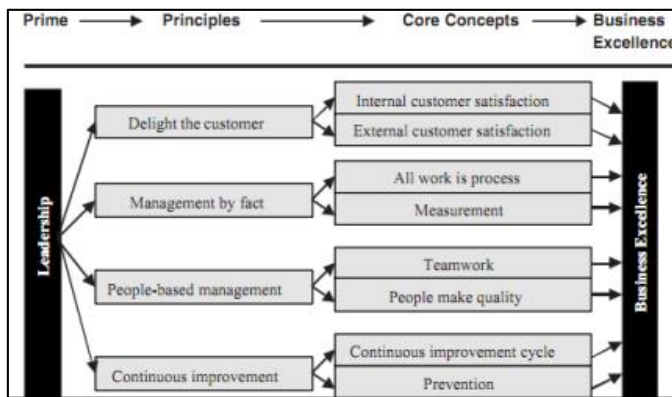
	<b>Principle</b>	<b>Core Concepts</b>
1.	Delight the customer	Customer satisfaction and Internal customer
2.	Management by fact	Work is Process and Measurement
3.	People-based management	Teamwork and people make quality
4.	Continuous improvement	Continuous improvement cycle and prevention

The core concepts in Table 1 are the essential measures of organizational effectiveness. Organizations should adopt principles and practices to address each of these core concepts. Figure 5 indicates the achievement of business excellence as a result of the principles and core concepts from the prime. Directors and managers in organizations constitute the prime or foundation of any organization (Kanji, 1998) [28]. The directors and managers are actively and strategically involved in developing and implementing the organization's policies, strategies, vision and mission. This implies that organizational leaders are the essential driving force for quality improvement and business excellence. Their attitude must therefore promote all the four KBEM principles as in Table 1.

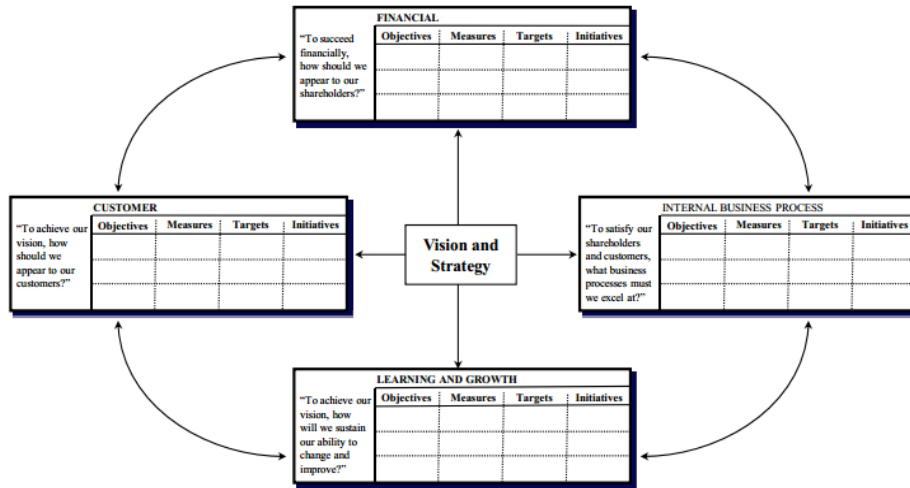
The four dimensions of KBEM are prime, core principles, core concepts and business excellence. Core principles involve the main ideas of improving the performance of an organization. Core concepts refer to the key items in improving organizational performances. The model is generally a cause-effect business excellence model because each criterion has the causal relationships from leadership to the four dimensions correspondingly (Kanji, 2002) [28]. Excellence is definitely associated with outstanding performance. Organizational excellence is defined as a means of determining the nature and extent of all stakeholders' satisfaction within an organization in order to obtain an all-inclusive evaluation of organizational performance. The ability to identify what drives stakeholders' satisfaction is the path to sustained organizational effectiveness.

**e. The Balanced Scorecard**

This framework is founded on the following eight objectives in performance measurement: "Profitability (measured by residual income); Market share; Productivity; Product leadership; Public responsibility (legal and ethical behavior, and responsibility to stakeholders including shareholders, vendors, dealers, distributors, and communities); Personnel development; Employee attitudes; and Balance between short-range and long-range objectives" (Kaplan and Norton, 2000) [32]. These objectives form the key indicators of organizational effectiveness in any organization. Figure 6 shows the scorecard summarizing these eight variables.



**Fig 5:** Kanji Business Excellence Model (Kanji, 2001)



Source: Kaplan and Norton (1992)

Fig 6: The Balanced Scorecard

Figure 6 is a depiction of the original structure of the Balances Scorecard (BSC). The scorecard retains financial measures as the key measures of corporate performance. The financial measures are supplemented by customer, internal processes, and learning and growth. These are the drivers for creating long-term shareholder value in an organization (Kaplan and Norton, 2000) [32]. Various experts indicated the significant role of the BSC as a tool in strategic management (Kaplan and Norton, 1996; Tohidi *et al.*, 2010) [31, 42]. The advantages of the BSC in organizational effectiveness have been emphasized by Kim *et al.*, 2008; Asato *et al.*, 2009; Mores, 2000. These scholars emphasized the importance of the BSC as a performance evaluation model for managerial decision-making. The BSC is therefore an important performance measurement and management tool that provides causal links connecting financial and non-financial measures of firm performance.

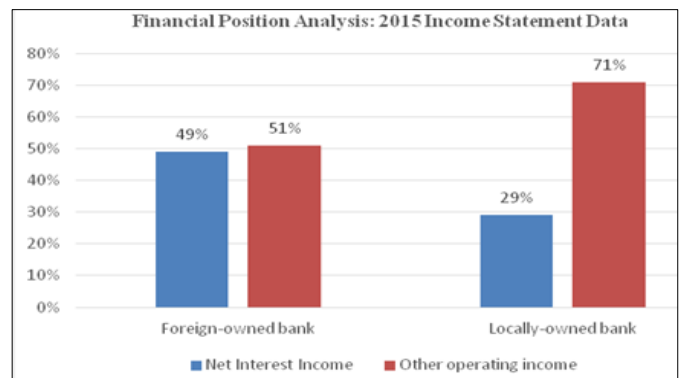
**Research Methodology**

This study adopted the methodological pluralism approach which integrated qualitative and quantitative research. This approach was adopted in view of the models, frameworks, and methodologies of determining organizational effectiveness in banking. Primary and secondary data collection methods were used in this research. The researcher used academic literature review to gain subject matter insights in the context of the banking sector while the primary data was gathered to obtain substantial evidence on organizational effectiveness between foreign-owned bank (Stanbic Bank Limited) and locally-owned bank (Steward Bank Limited) in Zimbabwe. Academic literature is historical, already assembled, and does not require access to respondents. The literature collected for this research was mostly obtained from books, published journals, business magazines, reports, prospectus, newspapers, BankScope database, and online resources. The researcher collected primary data from original sources through qualitative questionnaires and interviews submitted to 40 participants from the two sampled banks. Qualitative questionnaires and interviews were used to explore, that is, to identify and discover organizational effectiveness in the Zimbabwean banking institutions. Content analysis was employed to examine organizational effectiveness depiction in textbooks, and reports in the context of Zimbabwean banking market.

**Data Presentation Analysis**

This research examined the performance of the two sampled Zimbabwean banks using information from the Bankscope database (2009-2015) and reviewing the models and methodologies of organizational effectiveness. The Bankscope database was used because Bankscope is considered one of “the most comprehensive, global database for banks’ financial statements, ratings and intelligence” (Bureau van Dijk, 2016) [9]. The Bankscope database is considered a valuable database for bank financial performance information. The database is useful for examining individual financial entities’ balance sheets and income statements for a number of years. Empirical literature indicates that the values reported on the Bankscope database are consistent with the primary data sources. The ‘Find a Bank’ searching option was used to get data for the two sampled banks on the Bankscope website. The database also provided information relating to the economic outlook of Zimbabwe and the individual bank directors and shareholding structures.

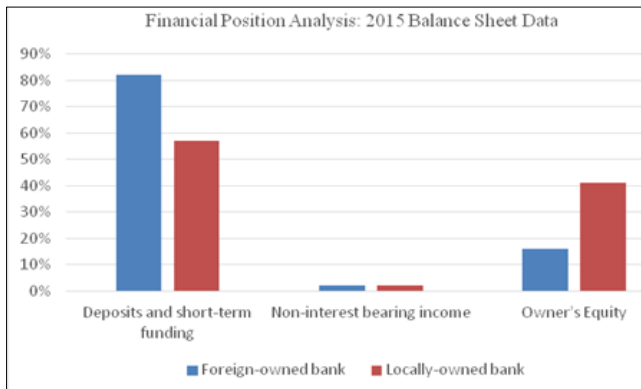
The researcher used the Bankscope database as the main source of secondary data regarding to the financial performance and financial position of the two sampled banks. The summary findings are presented in the diagrams below. Figure 7 shows the ancillary operating income and the net income revenue ratios for the two sampled banks. The data shown and presented in Figure 8 has been further analysed with regards organizational effectiveness.



Source: Bureau van Dijk, 2016 [9]

Fig 7: Financial Position Analysis: 2015 Income Statement Data

Net Interest Income is the most common measure of banks' financial performance. The net interest revenue indicates the difference between income generated from a bank's assets and the expenses incurred in paying liabilities. As data represented in Figure 7, the locally-owned bank had 71% ancillary income and 29% of net interest income ratios. The foreign-owned bank's ancillary income and net interest income ratios were 51% and 49% respectively. The data was important in determining organizational effectiveness considering the net interest revenue is the largest source of profits for most banking institutions. However, the variability of net interest revenue requires improvements in internal corporate governance of individual banking firms in order to understand and manage the factors that affect net interest income. A review of the data shown on the BankScope database indicates that banks are diversifying into fee earning activities in order to reduce bank's exposure to risk. Therefore, the statistical results from Figure 7 show that the foreign-owned bank is earning income from new, other operating income as compared to the net interest revenue (income from deposits and loans). The presented data does not show significant difference in the financial performance of locally-owned and foreign-owned banks as the mean scores for both banks are the same (mean=50%)



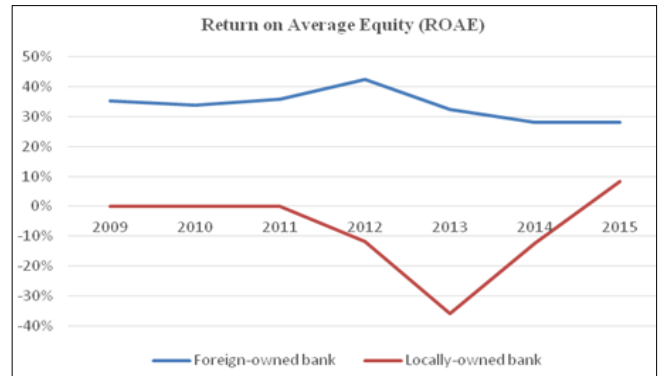
Source: Bureau van Dijk, 2016 [9]

Fig 8: Financial Position Analysis: 2015 Balance Sheet Data

Figure 8 results show that foreign-owned banks had 82% (deposits and short-term funding), 2% (non-interest-bearing income), and 16% (equity); relative to locally-owned bank's 57%, 2%, and 41% respectively. These results indicate that the locally-owned bank had a higher percentage of loans as assets as compared to the foreign-owned bank. However, the low shareholders' equity position shows greater risk in the event the bank goes awry. This is indicated by the leverage ratio. The high leverage on indigenous banks indicates greater vulnerability to adverse shocks that reduce the overall value of assets or funding liquidity (Bordeleau *et al.*, 2009) [8].

The diagrams below show the financial performance indicators of the two sampled banks in terms of ROAE, ROAA, and NIM. These indicators show the performance of the sampled banks with regards the utilization of assets and equity to generate revenue; and the overall banks' net income over the period 2009 to 2015. A positive and higher ROAE,

ROAA, and NIM are considered favorable for banking institutions. The data presented below indicates that the foreign-owned bank had higher favorable results during the period under review as compared to the locally-owned bank.

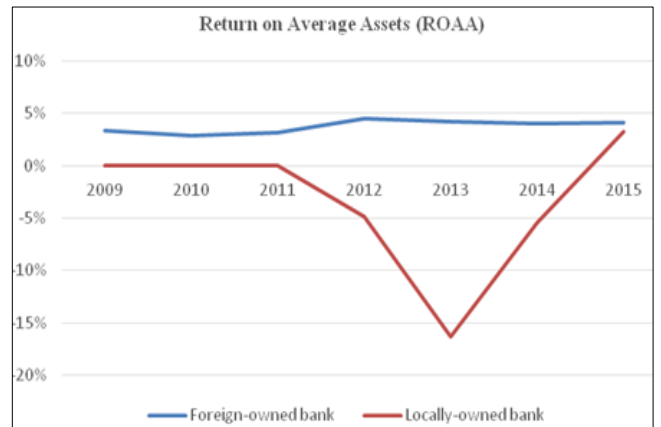


Source: Bureau van Dijk, 2016

Fig 9: Return on Average Equity (Roae)

The ROAE ratios indicate mean score of -12.96% on the locally-owned bank and 33.73% on the foreign-owned banks. This shows that the foreign-owned bank is efficient as compared to the locally-owned bank with regards generating revenue from equity.

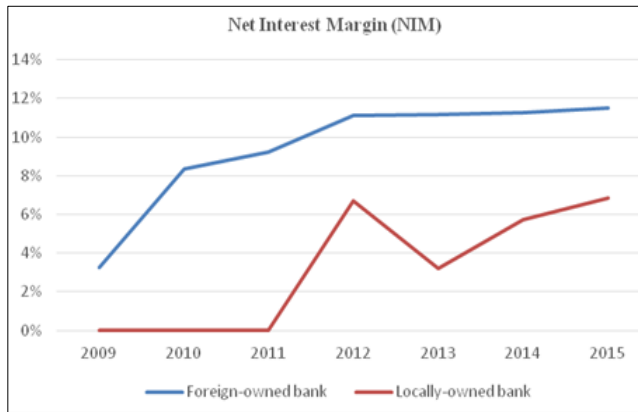
Figure 10 indicates the Return on Average Assets (ROAA) trend analysis for the period 2009 – 2015. The results show that the foreign-owned bank had a mean score of 3.75% relative to -5.84% on the locally-owned bank. Further analysis indicates that the locally-owned bank was introduced in 2012 and made a lot of investments during its inception period. Based on the presented data, the foreign-owned bank had better performance though there is not much significant variations in the ROAA.



Source: Bureau van Dijk, 2016 [9]

Fig 1: Return on Average Assets (ROAA)

Figure 11 presents the Net Interest Margin data for the two sampled banks. The results show mean scores of 5.62% and 9.42% on locally-owned bank and foreign-owned bank respectively. The data indicates a higher performance on the foreign-owned bank. There is a difference in mean score of 3.8%.



Source: Bureau van Dijk, 2016 [9]

Fig 21: Net Interest Margin (NIM)

### Conclusion

The Bankscope database was used to determine the financial performance of the sampled banks in Zimbabwe. Overall, results indicate some variations in terms of the emphasis placed on financial and non-financial measures of determining organizational effectiveness among foreign-owned and locally-owned banks in Zimbabwe. The differing perspectives on the management model determine the key measures of organizational effectiveness. Results show that organizations that both banks use financial metrics of performance measurement. These metrics include the measure of returns generated by assets (RoA), return on equity (RoE), and net interest revenue. However, there is more reliance on these measures from locally-owned banks as compared to foreign-owned banks. The foreign-owned banks place equal emphasis on the financial and non-financial measures. This was evident in the appreciation of the different models of organizational effectiveness within the foreign-owned bank. The foreign-owned bank makes use of the mixed measures, that is, both economic and non-financial performance measures. The locally-owned bank focuses more on shareholder wealth maximization.

The sampled banks have integrity as the core value. Integrity is defined as living and acting in alignment with spiritual law and with our highest vision, despite impulses to the contrary. The values of the sampled banks encompass honesty and integrity in all areas of work; treating all stakeholders in a responsible, caring way; and social and environmental responsibility. Innovation is also a key value in the two sampled banks. The review of extant literature and analysis and interpretation of participants' views shows that organizations cannot rely on financial measures of performance alone as determinants of effectiveness. The incorporation of all stakeholders in an organization's business model calls for the non-financial measures of performance. Though the results indicate favorable organizational effectiveness on the part of the foreign-owned bank, there is no significant difference in the financial performance and adoption of the organization development models, frameworks, and methodologies.

In view of the multidimensional role of banks in economic transformation it is recommended that banks should develop integrative performance management systems that incorporate both financial and non-financial metrics. The adoption of the models, frameworks, and methodologies of organizational effectiveness should be a top priority in organizations' strategic and operational roadmaps. Banks

should also capitalize on the nascent technologies and training programs that are targeted at enhancing effectiveness. This study therefore positions that there are no significant differences between organizational effectiveness between foreign-owned and indigenous banks in Zimbabwe.

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