

**A STUDY OF THE STRATEGIC RESPONSES OF COMMERCIAL BANKS TO CHANGES
IN THE EXTERNAL ENVIRONMENT IN ZAMBIA**

BY

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**A Dissertation submitted to the University of Zambia in partial fulfilment of the requirements for
the award of the Degree of Master of Business Administration Management Strategy**

THE UNIVERSITY OF ZAMBIA

LUSAKA

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DECLARATION

I, *Kamiji Ndonji*, do hereby declare that this work is my original work achieved through personal reading and research. This work has never been submitted to the University of Zambia or any other Universities. All sources of data used and literature on related works previously done by others, used in the production of this Dissertation have been duly acknowledged. If any omission has been made, it is not by choice but by error.

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APPROVAL

This Dissertation by *Kamiji Ndonji* is approved as a partial fulfilment of the requirements for the award of the Degree of Master of Business Administration Management Strategy.

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ABSTRACT

Banking sectors play a crucial part in the growth of a country's economy. As a result, the banking sector's stability is critical to an economy's growth. However, commercial banks are faced with external environmental changes that may render negative as well as positive impacts on commercial banks. Thus, banks need to respond to such changes with strategies. Crafting strategies to suit changes in the external environment is one goal of every organisation whose aim is to remain competitive in the market, generate profits and attain growth. To that end, this study aimed at investigating the response strategies of commercial banks to changes in the external environment in Zambia. Study's specific objectives were to; establish response strategies employed by commercial banks in Zambia to the economic changes; determine the response strategies employed by commercial banks in Zambia to technology advancements; and establish the response strategies employed by commercial banks in Zambia to social- cultural changes. This study utilized a descriptive research approach. A total number of 38 questionnaires were distributed, from this number, 20 questionnaires were returned and correctly answered. This translates into 52.6% response rate. Data was quantitatively analysed using SPSS and Microsoft excel. The percentages, averages, and means were used to represent the result values. The results revealed that commercial banks did not respond to Social-cultures changes in consumer behaviour in Zambia. However commercial banks responded to economic and technological factors, which led to closure of some branches and bank merges. To that end, commercial banks adopted various response strategies to respond to the changes. Strategies adopted included stability and expansion while no commercial bank adopted retrenchment strategy. Study concludes that Commercial banks adopted stability to respond to economic and technological external environment changes. Study recommends that commercial banks should not only concentrate on stability strategies, but also use other strategies such as expansion and retrenchment strategies to survive the harsh external turbulence. Management of commercial banks should take advantage of advances in information and communication technology that enhances service delivery and meeting customer needs. Banks need to constantly scan the environment using various tools like SWOT, Research and Development and PESTEL in order to be aware of changes in the external environment and prepare for it.

Key Words: *External environmental turbulence, Response strategy, Commercial banks*

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DEDICATION

I am dedicating this dissertation to my father and mother, my siblings and my wife and kids who have meant and continue to mean so much to me. I love you all and this is for you for your never-ending support and encouragements.

Table of Contents

DECLARATION	1
COPYRIGHT	2
APPROVAL	3
ABSTRACT	4
ACKNOWLEDGEMENT	5
DEDICATION	6
LIST OF TABLES	11
LIST OF FIGURES	12
CHAPTER 1	1
RESEARCH BACKGROUND	1
1.0 Introduction.....	1
1.1 Background to the Study.....	1
1.2 Problem statement.....	4
1.3 Objectives of Study.....	6
1.3.1 General Objective.....	6
1.3.2 Specific Objectives.....	6
1.4 Research questions.....	6
1.5 Significance of the Study.....	6
1.6 Scope of the Study.....	7
1.7 Thesis Outline.....	7
1.8 Chapter Summary.....	7
CHAPTER 2	8
LITERATURE REVIEW	8
2.0 Introduction.....	8
2.1 Overview of banking in Zambia.....	8
2.1.1 Concept of Bank.....	8
2.1.2 Types of Banks.....	9
2.1.2.1 Retail Banks.....	9
2.1.2.2 Commercial Banks.....	9
2.1.2.3 Investment Banks.....	9
2.1.2.4 Central Banks.....	10

2.1.3	Zambian Banking Sector	10
2.2	Commercial banks external Environment	12
2.2.1	Competitors	13
2.2.2	The economic system.....	13
2.2.3	Social-culture system	14
2.2.4	The monetary system	16
2.2.5	The political/legal system.....	17
2.2.6	Technological system.....	17
2.2.7	The environmental/ecological system	17
2.3	Response strategies to Changes in External Environment	18
2.4	Review of similar studies	20
2.0	Critique of existing literature	23
2.6	Chapter summary	24
	CHAPTER 3.....	25
	THEORETICAL AND CONCEPTUAL FRAMEWORK.....	25
3.0	Introduction	25
3.1	Theoretical framework	25
3.1.1	Systems approach.....	25
3.1.2	Contingency approach.....	27
3.2	Conceptual framework	28
3.2.1	External Environment.....	29
3.2.1.1	Economic and its influence on banking.....	29
3.2.1.2	Social-cultural and its influence on banking	31
3.2.1.3	Technology and its influence on banking.....	31
3.2.2	Response strategies.....	32
3.2.2.1	Retrenchment Strategy	32
3.2.2.2	Expansion Strategy	33
3.2.2.3	Stability strategy.....	33
3.2.2.4	Combination / Ambidextrous strategy.....	33
3.3	Chapter summary	34
	CHAPTER 4.....	35
	RESEARCH METHODOLOGY.....	35
4.0	Introduction	35
4.1	Research Design.....	35

4.3 Study Site	36
4.4 Study population	36
4.5 Sampling Techniques	37
4.6 Study sample	37
4.7 Data collection instruments	38
4.8 Data collection procedure and timeline	38
4.9 Data analysis instruments and procedures	39
4.10 Ethical considerations	39
4.11 Chapter Summary	40
CHAPTER 5.....	41
RESULTS PRESENTATION, ANALYSIS AND DISCUSSION	41
5.1 Introduction	41
5.2 Response Rate	41
5.3 Sample Profile of Respondents	42
5.3.1 Gender of respondents	42
5.3.2 Level of education of Respondents	42
5.3.3 Respondent's Position	43
5.3.4 Respondent's job experience	44
5.4. Reliability of Instrument	44
5.5 Response strategies to economic changes	45
5.6 Response strategies to technological changes	49
5.7 Response strategies to social-cultural changes	53
5.8 correlation analysis	57
5.9 Regression analysis	58
5.10 Discussion of findings	59
5.10.1 Response strategies to economic changes	59
5.10.2 Response strategies to technological changes	61
5.10.3 Response Strategies to social-cultural changes	63
5.11 Chapter Summary	64
CHAPTER 6.....	66
CONCLUSIONS AND RECOMMENDATIONS	66
6.1 Introduction	66
6.2 Conclusions	66
6.2.1 Response strategies to economic changes	66

6.2.2	Response strategies to technological changes	67
6.2.3	Response strategies to Social-culture changes	68
6.3	Recommendations	68
6.4	Directions for future research.....	69
6.5	Chapter Summary.....	70
	Bibliography.....	71
	Appendices.....	75
	Appendix 1: Questionnaire.....	75
	SECTION A: RESPONDENTS PROFILE.....	75
	SECTION B: Response Strategies to economic forces.....	76
	SECTION C: Response Strategies to Technological Forces.....	77
	SECTION D: Response Strategies to Social-cultural forces.....	78

LIST OF TABLES

Table 4.1: Population Distribution	34
Table 5.1: Response Rate	37
Table 5.2: Gender of respondents.....	38
Table 5.3: Level of Education of Respondents.....	39
Table 5.4: Respondent’s job experience	40
Table 5.5: Distribution of respondents on Degree of change in economic environment being high	42
Table 5.6: Extent of influence of economic factors on commercial banks’ operations	43
Table 5.7: Respondent’s views on impact of economic changes on bank’s choice of response strategy	44
Table 5.8: Response strategies to economic changes in the external environment.....	45
Table 5.9: Distribution of respondents on degree of change in technological environment being high	46
Table 5.10: Extent of influence of economic factors on commercial banks’ operations	51
Table 5.11: Respondent’s views on impact of technological changes on bank’s choice of response strategy	48
Table 5.12: Response strategies to technological changes in external environment.....	49
Table 5.13: Distribution of respondents on degree of change in social-cultural environment being high .	50
Table 5.14: Extent of influence of technological factors on commercial banks’ operations	47
Table 5.15: Respondent’s views on impact of social-cultural changes on bank’s choice of response strategy	52
Table 5.16: Response Strategies to changes in social-cultural of customers	53

LIST OF FIGURES

Figure 3.1: Conceptual Framework.....	29
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LIST OF ABBREVIATIONS AND ACRONYMS

BOZ	Bank of Zambia
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IT	Information Technology
NPL	None Performing Loans
OECD	Organisation for Economic Co-operation and Development
PESTEL	Political, Economic, Social, Technological, Environment and Legal
PwC	Price Waterhouse Coopers
SD	Standard Deviation
SPSS	Statistical Package for Social Sciences
SWOT	Strengths, Weaknesses, Opportunities and Threats
ZANACO	Zambia National Commercial Bank

CHAPTER 1

RESEARCH BACKGROUND

1.0 Introduction

This chapter covers the fundamentals on Strategic Responses of Commercial Banks to changes in the External Environment. Given in the chapter are introduction, followed by the problem characterisation, research questions, research goals, and support for the study. This is followed by the study's scope and organisation of the thesis.

1.1 Background to the Study

Strategic management is one of the key corner stones of any business institution that needs to compete favourably in a particular industry and respond to changes in the external environment. External environment, which provides firms with input resources, like labour, raw materials, technology, land, energy and market for outputs or products like services and manufactured goods, has immediate, first-hand impact as well as secondary and distant effects on organisations regardless of industry type (Ansoff, 2013). Coupled with competition from other firms in the industry, crafting strategies to suit changes in the external environment is one principal goal of every organisation whose aim is to remain competitive in the market, generate profits and attain growth (Pearce and Robinson, 2011). This is so because the external environment provides opportunities and challenges that determine a firm's commercial health, prosperity and return on investment.

Organisational response to changes in an external environment is achieved by proper management of environmental forces. As indicated by Clark (2000), external environment is by definition outside of the day-to-day control of the firm. Firms of the modern-day business environment are classified as being a powerful force that can have a considerable influence on the environment and as such a reciprocal relationship exists in that the firm exerts influence on the environment while the environment also exerts influence on the firm. Therefore, ability to manage this relationship successfully and survive the competition in the industry rests on the firm's ability to develop the capability to manage threats and exploit emerging opportunities promptly. This requires

formulation of response strategies that constantly match institutional capabilities to environmental requirements.

The Commercial banking industry in Zambia comprises of both state-owned and private commercial banks competing for the same market. The two sets of organisations namely private and public institutions are faced with same external environmental forces as they search for market share and supply of raw materials. The external environment forces include; political, economic, social, technological, environment and Legal (PESTEL) factors (Porter, 2008). Although there are as many external forces as stated by Porter, the current study will focus only on three factors namely Economic, Technology and Social Culture. According to PWC (2020), commercial banks in Zambia have faced a lot of challenges emanating from the external environment in the last 5 years. Among the challenges indicated by PWC include the state of the local economy; the impact of Covid-19 on economy and operations of businesses; high credit risk and Non-Performing Loans and cyber-security.

On the state of the economy, Zambia has been experiencing weakening economic growth over the last few years due to falling copper prices, as well as declining hydro-electric power generation and agricultural output from insufficient rains. Covid-19 added additional pressures on the economy during 2020 (BOZ, 2021). The services and mining sectors were particularly affected due to social distancing measures and lower global demand. However, activity picked up during the second half of the year as global copper prices rose and containment measures were eased (PWC, 2020). Ministry of Finance figures show that real GDP contracted by 3% in 2020 due to disruptions to global supply chains, along with decreased investment and consumption spending (BOZ, 2021). However, relaxed Covid-19 restrictions during the second half of the year will have seen a less severe contraction compared to the first half of 2020 (PWC, 2021).

On the impact of Covid-19, the pandemic is being felt by all businesses around the world. Economies are in deep distress because of the disruption to work and operations Covid-19 has brought about (OECD, 2020). As banks brace for further economic uncertainty and a potential increase in customer defaults, provisions for the associated expected losses continue to mount. Zambia implemented less stringent lockdown restrictions and social containment measures compared to some other African economies. Nonetheless, the country still experienced sharp contractions in sectors such as accommodation, wholesale and retail trade, arts and entertainment,

and education due to decreased consumer activity and lower tourist arrivals. This offset the strong performances of sectors such as agriculture and mining (PWC, 2020).

On credit risk and non-performing loans (NPLs), PWC (2018) asserts that since 2016, credit risk has remained among the top five most pressing issues for both banks and non-banking Financial Institutions each year. Commercial banks' NPL ratio increased slightly from 8.2% in 2019 to 8.8% at the end of 2020, within the 10% industry target set by the BOZ (PWC, 2018, 2020). The banks identified Covid-19, the economic downturn and rising unemployment as reasons for the increase in NPLs in 2020 (PWC, 2020).

Cyber security was ranked the fourth most pressing issue facing commercial banks in 2020 (OECD, 2020). The growing importance of cyber security reflects the impact of the continued expansion of digital solutions across the industry, working from home considerations, and the introduction of the Cyber Security and Cyber Crimes Act 2021 (PWC, 2020). As the financial sector continues to expand its digital footprint and the number of ways in which it interacts with customers increases, the risk of cyber-attacks has also increased (OECD, 2020). The continued integration between banks, mobile network operations and service providers has further increased possible points of vulnerability (PWC, 2018).

On the social-cultural aspect, a lot of cultural changes took place in post independent Zambia and has continued to do so even today. Inspired by globalization, consumers of nowadays are showing a preference for technology, online shopping, and social media advertising (OECD, 2020). Globalization has increased cultural diversity in the marketplace, leading to changes in consumers' values and desires. Global consumer culture theory (GCCT) suggests that globalization has led to the emergence of global consumer culture, exposing consumers to various foreign and local brands, media, and technology. Globalization has led to consumers across different nations behaving similarly in their purchasing and consumption behavior (Michałowska and Danielak, 2020).

In order to survive, firms have to make choices: selection of goals, choice of products and/or services to offer, the design and configuration of policies determining how the firm positions itself to compete in product markets – competitive strategy, choice of an appropriate level of scope and diversity; and the design of organisation structure, administrative systems and policies used to define and coordinate work (Pearce and Robinson, 2011). These choices impact on the success or

failure of an organization and that its selection needs to be critically made.

According to Inkpen and Choudhury (1995 cited in Pearce and Robinson, 2011), strategy is identified by examining organisational elements like product lines, markets, channels of distribution, allocation of financial resources, operational goals and objectives, and plans and policies guiding organisational decision making. Once these elements are present in every firm, it means that all firms that are viable and continuously remain profitable have strategies. The two authors further say a firm's strategy is the result of series of activities and managerial decisions that coalesce into a pattern and logic.

By having a strategy, a firm can efficiently manage costs of operations, effectively execute projects and subsequently have superior market and economic intelligence as well as achieving competitive advantage (Pearce and Robinson, 2011). Barney (2007) suggests that firms obtain sustained competitive advantages by implementing competitive strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses.

1.2 Problem statement

As emphasized by Mazzarol and Reboud (2009), strategy defines a firm's aims and the ways in which they are to be achieved. To that effect, strategy sets the context in which other decisions are made. It is thus imperative that every firm has a clear strategy in order for everyone to know what the firm is trying to achieve. Strategy, however, does not just appear, it must be carefully designed and published through a process known as strategic management, which according to Porter (2008), denotes a stream of decisions and actions which lead to the development of an effective strategy or strategies to help achieve corporate objectives. Failure to design and publish a strategy, an organisation must expect confusion and managers that have no focus as they cannot consider a broader strategic concept, but making decisions that are isolated and do not reinforce each other for the purpose of achieving a common goal. The commercial bank industry in Zambia is made up of both local and foreign owned banks that operate either as state-owned or private owned. Changes in the external environment have remained one of the pressing issues for both banks and non-banking financial institutions in Zambia (PwC, 2021). Clearly, a lot of changes need to take place if commercial banks are to respond to changes in the external environment. The proposed changes are to be introduced at all organisation levels to have a comprehensive impact on the whole commercial banking sector.

Research established that some of the problems facing the commercial bank sector in Zambia include declining annual economic growth to 2.4% from predicted 4.6% between 2010 to 2020 (PwC, 2021). It was also established that rapid changes in inflation and interest rate averaging 10.89% from 2010 to 2022 caused major problems for commercial banks. It was also established that advancement in Information Technology (IT) brings both benefits and risks to the commercial banks. On one hand, IT has revolutionized operations, enhanced customer experience, ensured security and risk management, promoted financial inclusion and unlocked opportunities for further growth. On the other hand, advancement in IT has introduced mobile money, which according to literature hinders rather than helps banks' profitability (Iheanacho and Ozegbe, 2020). It was also established that changes in consumer's social-culture behaviours due to adoption and integration of foreign cultures in Zambia changes the preferential banking needs of consumers. It is important to emphasize that if a company wants to be successful in the market where it operates, it must make all efforts to satisfy its consumer needs. How able is a company to build and maintain strong relationships with its consumers depends on how the company managed to understand its consumers' dynamic and turbulent behavior. Additional challenges are also being faced by individual commercial banks such as competing for the same customers and suppliers.

Several studies elsewhere have shown that commercial banks respond to changes in external environment with different strategies including stability strategies, mergers, digitilisation, closure of branches, retrenchments etc. (Sholla and Nazari 2018; Asenwa 2018; Sanjeepan, 2017). However, preliminary research indicate that no research has been conducted on how commercial banks respond to changes in the external environment in Zambia. It is, therefore, important to note that while substantial literature exists on firms' strategic responses to changes in external environment, there is no specific academic research that has been conducted on response strategies by commercial banks to changes in external environment in Zambia. To the researcher's knowledge, none of the existing literature has specifically investigated how commercial banks are responding to external environmental changes in economy, technology and social-culture. This study, therefore, sought to address this knowledge gap by investigating Zambia's commercial bank's response strategies to economic changes, changes in technology and changes in Social-culture experienced in the last 5 years.

1.3 Objectives of Study

1.3.1 General Objective

- To investigate the strategic responses employed by commercial banks to changes in the external environment in Zambia.

1.3.2 Specific Objectives

- To establish response strategies employed by commercial banks in Zambia to the economic changes.
- To determine the response strategies employed by commercial banks in Zambia to technology advancements.
- To establish the response strategies employed by commercial banks in Zambia to social-cultural changes.

1.4 Research questions

- What response strategies are commercial banks in Zambia using to address economic changes?
- What response strategies are commercial banks in Zambia using to respond to changes in technology?
- What response strategies are commercial banks using to respond to changes in the social-cultural behaviours of customers in Zambia?

1.5 Significance of the Study

This study is important to varied stakeholders in the commercial banking sector. First, to banks, it attempts to answer the question of whether banks should continue exploring and scanning the external environment in the conduct of banking business. It helps banks identify the benefits and pitfalls of external environmental turbulence and how to respond to them. Second is to the regulator whose concern over emergence and widespread changes in the external environment may affect stability of the banking sector. Results from the study would provide additional input in the design and prescription of appropriate strategies to respond to changes in the external environment of commercial banks and to safeguard stability. The findings may help policy makers (government)

and banking industry regulators (bank of Zambia) to understand how the mentioned external environmental forces have affected banks and how banks can be helped for them to survive and remain afloat. For researchers, academics and the rest, the study opens up new thoughts and additional literature for consideration to further knowledge in strategic management in the commercial bank sector.

1.6 Scope of the Study

In as much as strategic response can be designed to address the general external environment to a business, the study was delimited to three external forces namely Economy, Technology and Social-cultural forces. These three forces are chosen for the current study because of their crucial impact to the business in general and banking sector in particular, for the last five years. Strategy formulation is often said to be for high level management. Therefore, respondents for the current study included commercial bank personnel that directly deal with strategy formulation in commercial banks, and the focus was on those commercial banks in operational in Lusaka.

1.7 Thesis Outline

The study is divided into six (6) main chapters with several subsections. Chapter 1 introduces the research problem, statement of the problem and purpose of the study. Chapter 2 will provide relevant theoretical and empirical aspects found in literature on strategic responses to external environmental turbulences. Chapter 3 provides relevant theory and conceptual framework to guide the study. Chapter 4 focuses on issues related to research methodology; where research design, methods of data collection and analytical techniques will be presented. Chapter 5 focuses on interpretation, analysis of the research results and the discussion of the results. Finally, Chapter 6 provides a conclusion, recommendations, and highlights on areas for further research.

1.8 Chapter Summary

Chapter one presented an introduction to the topic under study from which the background and problem statement as well as research questions and objectives have been presented and explained. The next chapter presents the literature review.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter presents the literature on Strategic Responses of Commercial Banks to Changes in External Environment. The chapter is given as follows: it starts with the overview of banking in Zambia, followed by commercial banks external environment, review of similar studies and research gap as well as chapter summary.

2.1 Overview of banking in Zambia

This section provides literature on banking in Zambia.

2.1.1 Concept of Bank

Banking business deals with the activities revolving deposit mobilization from customers, loan creation to borrowers and investment engagement of banks. Banks are therefore these financial institutions found at the retail end of the financial system as they provide financial services to all form of customers in need of banking services. The main purpose of a bank is to transfer deposits from surplus to deficit units in the form of loans and advances to a variety of sectors, including agriculture, industry, personal finance, and government (Joseph et al., 2012). Banks may also provide financial services such as wealth management, currency exchange, and safe deposit boxes.

Banks play significant role in any economy such as Zambia due to their large branch networks which gives them ample advantage in mobilizing large volume of savings for onward creation of credit to would-be borrowers. The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions (Kaynak & Kucukemiroglu, 1992).

2.1.2 Types of Banks

There are many different types of banks and financial institutions that offer similar services across many nations in the world. Banks can be broken down into several smaller categories, including retail banks, commercial banks, investment banks and central banks.

2.1.2.1 Retail Banks

Retail banks are mainly associated with retail consumers, though some global financial services companies contain both retail and commercial banking divisions. These banks offer services to the general public and are also called personal or general banking institutions. Retail banks provide services such as current and savings accounts, loan and mortgage services, financing for automobiles, and short-term loans such as overdraft protection. Many larger retail banks may also offer their customers credit card and foreign currency exchange services. Larger retail banks also often cater to high-net-worth individuals with specialty services such as private banking and wealth management.

2.1.2.2 Commercial Banks

Commercial or corporate banks provide specialty services to their business clients, from small business owners to large, corporate entities. Along with day-to-day business banking, these banks also provide their clients with credit services, cash management, commercial real estate services, employer services, and trade finance, among other services. Zambia National Commercial Bank (ZANACO) and Amalgamated Banks of South Africa (ABSA) are two popular examples of commercial banks, though both have large retail banking divisions as well.

2.1.2.3 Investment Banks

Investment banks focus on providing corporate clients with complex services and financial transactions such as underwriting and assisting with merger and acquisition (M&A) activity. As such, they are known primarily as financial intermediaries in most of these transactions. Clients commonly range from large corporations, other financial institutions, pension funds, governments, and hedge funds. Examples of investment banks in Zambia are Stanbic Bank and Citi Bank.

2.1.2.4 Central Banks

Central Banks, unlike the above-mentioned banks, are not market-based and do not deal directly with the general public. Instead, central banks are primarily responsible for the regulation of both banking and non-banking financial institutions. Amongst the roles and duties are currency stability, controlling inflation and monetary policy, and overseeing a country's money supply. They also regulate the capital and reserve requirements of member banks. The central bank in that oversees and regulates other banks is Bank of Zambia (BOZ) that derives its functions and powers from the Bank of Zambia Act, no, 43 of 1996 and the Banking and Financial Services Act, Chapter 387 of the Laws of Zambia (BoZ, 2022).

However, for the purpose of this paper, the focus will be on commercial banks only. Therefore, the study will look at the strategic responses of commercial banks in the turbulent external environment for the last six years (2015 – 2021). The detailed overview of commercial banks in Zambia is given below.

2.1.3 Zambian Banking Sector

The Zambian banking sector is characterized by financial institutions that fall under all the above mentioned types of banks. However, as indicated above, the focus in this paper is on commercial banks. As such the literature under this section will focus on commercial banking in Zambia.

The history of banking in Zambia goes as far back as the colonial days. The first bank to be established on the land now known as Zambia was Standard Chartered Bank Zambia Plc. The first branch of the bank was established in 1906 in Kalomo District (Southern Province) (BoZ, 2022). The financial system of the colonial era was dominated by foreign commercial banks mainly serving the credit needs of foreign and expatriate businesses.

However, after independence 1964, the government adopted a host of policies to address the inequalities experienced in the banking sector. Financial policies consisted of three main strands: nationalisation of foreign financial institutions, establishment of government owned banks and development finance institutions, and administrative controls over interest rates and, to a limited extent, loan allocation. Through this policy, ZANACO was established in 1969. Its objectives included the provision of credit to Zambians and the extension of bank branches into the rural areas (Musokotwane, p 12). The government however soon realised that ZANACO would be

unable to expand rapidly enough to meet the expectations placed on it, and in 1971 announced plans to nationalise all the foreign financial institutions, including the commercial banks (Harvey 1991: 262).

Several other banks and non-bank financial institutions were set up by the government to serve various purposes. The Indo-Zambia Bank was established in 1984 as a joint venture between the government and three state owned Indian banks, and in 1987 the Zambia Export and Import Bank was founded to supply trade finance. Development finance institutions were set up to provide concessional and/or long term finance to priority sectors with funds mobilised from the government or external sources. These included the Zambia Agricultural Development Bank and Agricultural Finance Company, which were amalgamated to form the Lima Bank in 1987, and the Development Bank of Zambia.

The liberalisation of the economy in the 1990s saw the entrance of many international banks and a development locally owned bank. The Zambian private sector first entered the banking industry in 1984 when Meridien Bank, was founded. By mid-1995 there were around 13 banks owned by local private sector investors (henceforth local banks) in operation in Zambia. Today, over 116 years from the time the first bank was established in Zambia by Standard Chartered Bank, there is numerous numbers of banks operating in Zambia, both local and international.

As of 2022, the number of commercial banks in Zambia remains at 18 in 2022. Nine of these banks are subsidiaries of foreign banks, five are locally owned private banks and four are partially owned by the Government of the republic of Zambia (BOZ, 2022). Subsidiaries of foreign banks continued to dominate the sector in terms of total assets, loans and deposits (PwC, 2021).

Commercial banks are an important part of the Zambia financial landscape they also offer a wide variety of services. Commercial banks are responsible for adding customer deposits in a safe and liquid form and lending the proceeds to worthy commercial, industrial, government and non-profit institutions. Commercial banks also provide market making activities in municipal, government and corporate bonds. Banks provide consulting and advisory services to customers as well safekeeping and trust. Zambia's commercial banks play a crucial role in ensuring Zambia's economic progress. Zambia's commercial banks like any other organization are open systems

operating in a turbulent environment. Their continued survival depends on the ability to secure a fit within the environment.

The commercial banks in Zambia are liable to many forms of risk which have triggered occasional systematic crises. These include liquidity risk (where many depositors may request withdrawals in excess of available funds), credit risk (the chance that those who owe money to the bank will not repay it), and interest rate risk (the possibility that the bank will become unprofitable, if rising interest rates force it to pay relatively more on its deposits than it receives on its loan). The exchange rate volatility has been due to the effects of the sovereign debt and currency speculation activities. Given these challenges, the government coordinates such actions as tightening monetary policy, stemming volatility in the foreign exchange markets and curbing currency speculation activities.

2.2 Commercial banks external Environment

Cole (2005) defines external environment as “those elements and pressures which the management has no control over, but which determine their ability and the extent of their achievements.” The management can act upon the internal environment. Indeed, the environment strongly influences organizations' missions, visions, strategies, business processes, products and services (Tuladhar and Molen, 2003). Idowu and Adegoke (2014) contend that all organisations involved in business operate within a large framework of the external environment, and while this environment helps shape opportunities, it also poses threats to the organization.

Commercial Banks, like any other organisation engaged in provision of products or services, has an external environment. Solomon (2015) agrees with this and mentions that in banking, the external environment is a set of complex, rapidly changing, and significant interacting organizations that affect a company's ability to serve their customers. As defined by Riley (2012), the external environment of any bank denotes factors outside the premise of banks which affect the operations of the banks. Solomon (2015) views external environment of a bank as the external factors influencing banking operations and may include policies of the Central Bank, Federal government fiscal operations, globalization, customers' banking habits, infrastructures etc.

However, the definition and explanation by Riley was more elaborate as she went further to indicate that external environment consist of the actions of other players who are outside the business. To that effect, Riley noted further that external environment consists of competitors, the economic system, the social system, the monetary system, the political/legal system and the environmental system.

2.2.1 Competitors

Every organisation involved in business faces some competition except monopoly firms. Although firms in the banking industry offer same products and services, the form of presentation and delivery tends to distinguish one institution from another. The way in which one institution offer and deliver banking products and services affect the ability of the business to make profits because competitors will continually seek to gain an advantage over each other, by differentiating their product and service, and by seeking to provide better value for money. As defined by Pearce and Robinson (2011), rivalry means the behaviour that an enterprise's competitors exhibit in terms of winning the market by seeking, on a continuous basis, to gain advantage over each other. This behaviour is expressed in terms of the number of companies competing in the market, product differentiation, and type of technology used, provision of better services, competitive prices, and value for money.

An enterprise is unlikely to succeed when its management fails to develop strategies needed to effectively counter its competition (Simon and Svejnar, 2007). Competition between old and new bank entrants implies that available banking customers are targeted and the bank with the most enticing service wins the race for the bank customer. These observations suggest the failure to develop strategies needed to fight rivalry can lead to failure to succeed in the industry.

2.2.2 The economic system

Hiriyappa (2008) states that economic factors concern the nature and direction of the economy within which a business organization operates. Economic growth, interest rates, the availability of credit, inflation rates, foreign exchange rates, and foreign trade balances are among the most critical economic factors. Economic growth can also have a large impact on consumer demand for products and services. Consequently, organizations should consider forecasts of economic growth in determining when to make critical resource allocation decisions such as plant expansions.

Inflation and the availability of credit, among other factors, influence interest rates that organizations have to pay. High interest payments can constrain the strategic flexibility of firms by making new ventures and capacity expansions prohibitively expensive. Low interest rates, coupled with fears that the central bank would raise rates, have led to volatile reactions in the stock market.

2.2.3 Social-culture system

Social-cultural changes encompass a broad range of transformations within societies and cultures that affect values, norms, behaviors, beliefs, institutions, and relationships (Idowu and Adegoke, 2014). These changes can occur gradually over time or rapidly due to factors such as technological advancements, economic shifts, political movements, demographic changes, globalization, and cultural exchanges, according to Chand (2020). These are explained below:

Technological Advancements

As indicated by Chand (2020), advances in technology, such as the internet, social media, and mobile communications, have transformed how people interact, communicate, work, and access information. These changes have reshaped social relationships, cultural practices, and modes of expression (Idowu and Adegoke, 2014).

Globalization

Chand (2020) asserts that globalization refers to the interconnectedness and interdependence of societies and cultures around the world. It involves the flow of goods, services, capital, ideas, information, and people across national borders, leading to cultural exchange, hybridization, and the spread of global norms and values.

Demographic Shifts

Changes in population demographics, including population growth, aging populations, urbanization, migration, and changes in family structures, can have profound effects on social and cultural dynamics (Idowu and Adegoke, 2014). These shifts influence social norms, cultural practices, and institutions such as education, healthcare, and social welfare (Chand, 2020).

Economic Transformations

Economic changes, such as industrialization, urbanization, market liberalization, and shifts in employment patterns, can lead to changes in social hierarchies, lifestyles, consumption patterns, and cultural values (Idowu and Adegoke, 2014). Economic disparities and inequalities also impact social cohesion and cultural identity (Chand, 2020).

Political Movements and Ideologies

Political movements, ideologies, and social movements can catalyze social and cultural change by challenging existing power structures, advocating for social justice, promoting new values or norms, and mobilizing collective action (Idowu and Adegoke, 2014). Examples include civil rights movements, feminist movements, and environmental movements.

Cultural Innovation and Creativity

According to Chand (2020), Cultural innovation, creativity, and artistic expression play a vital role in driving social and cultural change. Artists, writers, musicians, filmmakers, and other cultural producers often challenge conventions, provoke thought, and inspire social movements through their work.

Education and Media

Education systems and mass media influence socialization processes, shape cultural narratives, and disseminate values and beliefs within societies (Idowu and Adegoke, 2014). Changes in education and media can lead to shifts in cultural attitudes, behaviors, and worldviews (Chand, 2020).

Environmental and Climate Changes

Environmental and climate changes can have profound social and cultural impacts, affecting livelihoods, cultural practices, migration patterns, and community resilience (Idowu and Adegoke, 2014). These changes can also catalyze shifts in societal values, attitudes towards sustainability, and responses to environmental challenges (Idowu and Adegoke, 2014).

Cultural Exchange and Hybridization

Cultural exchange, migration, tourism, and cross-cultural interactions contribute to the blending, borrowing, and adaptation of cultural practices, symbols, languages, and traditions (Chand, 2020). This process of cultural hybridization leads to the emergence of new cultural forms, identities, and social

norms (Idowu and Adegoke, 2014).

Social Institutions and Governance

Changes in social institutions, governance structures, and public policies influence social-cultural dynamics by shaping access to resources, opportunities, rights, and freedoms (Idowu and Adegoke, 2014). Reforms in areas such as healthcare, education, welfare, and human rights can lead to significant social and cultural changes (Chand, 2020).

Overall, social-cultural changes are multifaceted and interconnected, reflecting the complex interplay of historical, economic, political, technological, and environmental factors within societies and across cultures. These changes are dynamic and ongoing, continually shaping and reshaping social structures, cultural practices, and individual identities. They also tend to change the social system. The social system is the fabric of ideas, attitudes and behaviour patterns that are involved in human relationships. In particular businesses are influenced by consumer attitudes and behaviours which depend on such factors as the age structure of the population, and the nature of work and leisure. Idowu and Adegoke (2014) opined that customer requirements are the most important consideration for business organizations such as banks.

2.2.4 The monetary system

The monetary system facilitates business exchange. Monetary activity is based around earning, spending, saving and borrowing. Money has been likened to the oil that lubricates the wheels of commerce. Monetary activity involves businesses in a web of relationships involving financial institutions (e.g. banks and building societies), creditors, debtors, customers and suppliers. A key monetary influence for business is the interest rate. Higher interest rates increase business costs and act as a break on spending in the economy (Riley, 2012). Anupam, Evangelos and Dhaneshwar (2000) contend that a favourable monetary system facilitates business exchange because it signals positive business activity, especially in terms of earning, spending, saving and borrowing. On the other hand, Kunal & te Velde, (2008) are of the view that a smooth flow of money lubricates the wheels of economic activity ranging from commerce through financial transactions, to all forms of exchanges between creditors, debtors, customers and suppliers. Major monetary policies that influence banking operations in an economy are interest rates, reserve requirements, sectoral allocation.

2.2.5 The political/legal system

Wheelen (2008) asserts that political factors refer to forces that allocate power and provide influences as originating from government decisions. Hiriappa (2008) contends that legal factors comprise a number of laws that regulates the conduct of a business, while some rules are constraining; others are protecting operations of firms. Some of the political and legal factors include: taxation laws, antitrust laws, deregulation laws, labour laws, pricing policies, foreign trade regulations, liberalization laws, pollution laws, patent rights, government subsidies, and laws on special incentives (Pearce and Robinson, 2011).

2.2.6 Technological system

Technological change creates new products, services, and, in some cases, entire new industries. Pearce and Robinson (2011) observed that the technological advancement in manufacturing, processing, preservation, and packaging have facilitated product improvement as well as introduction of new products in the market. It also can change the way society behaves and what society expects. The Internet, hand-held computers, direct satellite systems, and cellular telephones are technological innovations that have experienced extraordinary growth in recent years, leaving formerly well-established industries stunned, creating whole new industries, and influencing the way many people approach work and leisure. Computers and telecommunications technologies, for example, have played an essential role in creating the increasingly global marketplace. The use of technology has changed the way the banking industry conduct business. Customers are able to access their money 24 hours in a day provided they have access to the internet. Therefore, the study will examine the strategic responses from commercial banks in Zambia as they bid to remain competitive in the changing technological world.

2.2.7 The environmental/ecological system

Pearce and Robinson (2011) refer to the term ecology as the relationships among human beings and other living things and the air, soil and water that support them. Ecological factors concern firms' relation to living and non-living things like air, water and land as well as issues relating to pollution, global warming, loss of habitat and biodiversity. Of late firms are increasingly called upon to pay special attention to ecological factors by providing protection to the natural

environment through corporate social responsibility.

Forces in the broad environment can have a tremendous impact on a firm and its task environment; however, individual firms typically have only a marginal ability to influence these forces (Porter, 2008). Consequently, although firms may be able to influence the broad environment to some degree, the emphasis in this study will be on analysing and responding to three broad factors in the environment namely technology, economy and social-cultural. The most important elements in the broad environment, as it relates to a business organization and its task environment are social-cultural, economic, technological, and political/legal forces.

2.3 Response strategies to Changes in External Environment

According to Ansoff and McDonnell (1990), strategic responses involve changes in a firm's strategic behaviours to assure success in transforming future environment. Likewise, Burnes (2004) asserts that the concern in real time responses is to minimize the sum total losses and restore profitability to ensure organization's success in a turbulent and unpredictable environment. This study focused on how commercial banks in Zambia strategically responds to the environment changes through various adaptation measures proposed by renowned writers of strategic management.

Fundamentally, a company's response strategies are concerned with decisions and actions meant to achieve business objectives and purposes. The critical areas of a company strategy which are very important in identifying the responses include: setting of objectives, goals, vision and mission of the company. A response strategy is crucial while considering the firm's competitive strength and weakness vis-à-vis opportunities and threats; which companies establishes a position of competitive advantage (Lowes et al, 1994). A response strategy is therefore environmental driven. Several scholars including: Pearce and Robinson (2011), Hiriyappa (2008), Barney (2008), Thompson, Strickland and Gamble (2008) among others have described a number of response strategies owing to unique changes arising from external environments. Some of the response strategies are explained below. Low-cost strategy is a business strategy that seeks to establish long-term competitive advantage by emphasizing and perfecting value chain activities that can be achieved at costs substantially below what competitors are able to match on a sustained basis.

Differentiation is a business strategy that seeks to build competitive advantages with its product or service by making it different and unique from other available competitive products based on

features, performance or other factors not directly related to cost and price. Speed-based strategy is a business strategy built around functional capabilities and activities that allow a company to meet customer needs directly or indirectly more rapidly than its main rivals. Market focus is a generic strategy that applies a differentiation strategy approach, or a low-cost strategy approach, or a combination, and does so solely in a narrow (or focused) market niche rather than trying to do so across the broader market. National focus strategy is developed by taking advantage of differences in national markets that give a firm an edge over global competitors on a nation by nation basis.

Vertical integration is acquisition of firms that supply inputs such as raw materials or customers for its outputs such as warehouses for finished products. Horizontal integration is growth through acquisition of one or more similar firms (competitors) operating at the same stage of production marketing chain. Conglomerate diversification is acquiring or entering business unrelated to a firm's current technologies, markets, or products. It is about diverting management attention from original business to a more promising venture. Concentric diversification is acquisition of businesses that are related to the acquiring firm in terms of technology, market or product.

Joint venture is where commercial companies are created and operated for the benefit of the co-owners; usually two or more separate companies form the venture. Retrenchment strategy is about cutting back on products, markets, operations because a firm's overall competition and financial situation cannot support commitments needed to sustain or build its operations. Liquidation is a process of closing down operations of a business and selling its assets and operations to pay its debts and distribute any gains to stockholders.

Concentrated growth is an aggressive market penetration where a firm's strong position and favourable market growth allow it to 'control' resource and effort for focused growth. Market development strategy is about selling present products, often with only cosmetic modification to customers in related marketing areas by adding channels of distribution or by changing contents of advertising or promotion. Product development is a substantial modification of existing products or a creation of new but related products that can be marketed to current customers through established channels.

Innovation is a strategy that seeks to reap an initially high profits associated with customer acceptance of a new or greatly improved product. Strategic alliances are partnerships that are distinguished from joint venture because the companies involved do not take in one another.

2.4 Review of similar studies

Sholla and Nazari (2018) conducted a study titled Influence of External environment factor on Strategic Management in Commercial Banks in Albania. This study was conducted in a European country using quantitative methods. The external environmental factors included were political, economic, social cultural, technology, legal and ecology. The study was a qualitative case study survey in which all the 16 commercial banks in Albania participated in the study. The data collection instrument used was a questionnaire consisting of 35 questions, with 19% of the questions being open-ended. All the 16 commercial banks of the Albanian banking industry were set as the population for this study and those 16 commercial banks include locally owned and foreign owned banks. Because of the smaller number of banks in the population, this study had to design its data collection process very carefully to encourage the banks to participate in this research. The questionnaires were fulfilled in direct interviews with high level management of the Albanian banking sector. The qualitative data analysis methods were used to analyse the data that consists of descriptions of events. The study revealed that external environmental factors had an influence on strategic management in commercial banks in Albania. The implication of the study was that the external environment influenced the way banks in Albania operated.

Kunt et al., (2020) conducted a study to investigate the Banking Sector performance during the Covid 19 crisis. The study was carried out across the global in selected countries. However, most of the countries included in the study were from developed nations. The study only focused mainly on the external impact of Covid 19 on the performance of the banking sector global. The study reported that Covid-19 pandemic had negatively affected the performance of the banking sector. However, this study did not report on the strategies that banks have employed in response to the Covid-19 pandemic.

Sanjeevan (2017) conducted a study in Sri Lanka on Strategic planning and analysis for Commercial Banks. The study was based specifically on commercial banks that were operating in Sri Lanka. The study was focused on investigating the strategic planning and analysis that commercial banks in Sri Lanka engaged in. The study used the quantitative methodology in which respondents included bank employees involved in strategic planning. The study revealed that commercial banks in Sri Lanka engaged in strategic planning using various strategic tools such as Porter's five forces.

Several studies have been conducted on the African continent. For example, Asenwa (2018) conducted a study to investigate the strategic responses employed by Sidian bank to external environmental turbulence. The study was conducted in Kenya using descriptive research design as it sought to describe the relationship between the independent variable-external environmental turbulence and the dependent variables-the external environmental factors, the responses adopted, and the success of the responses using 400 employees as population of the study. The study sample size was 40 employees obtained using purposive stratified sampling technique. Data was collected using a questionnaire and both descriptive (mean, frequency, standard deviation) and inferential statistics (correlation, regression) were used to analyse the data in Statistical Package for Social Sciences (SPSS) program.

The study findings revealed that with regard to individual turbulence factors, political discontinuity was mainly as a result of government regulation, process control and political stability. It was further revealed that factors of economic disruptions were mainly caused by disposable income and interest rates. The findings further indicated that social cultural changes were to a little extent caused by changes in consumer taste and attitude. It was further revealed that technology substitution was to a great extent caused by speed and technology adoption and innovation. The findings further showed that industry environment was to a great extent affected by aggressive competition and rising substitute.

With regard to response strategies, the study revealed that restructuring, focus strategy, diversification and improvement in existing products were some of the strategic responses by bank. The implications of the findings were that external environmental turbulence factors have a very big impact on the banking sector and that the banking sector is very volatile hence there is a need to have a strategy for response.

Another study in Kenya was conducted by Akhura (2014) to investigate the Response strategies to Environmental challenges by Commercial banks in Kenya. The study was a survey of all the commercial banks in Kenya. The findings were that commercial banks in Kenya face political, economic, technological and social-cultural challenges in their operations. The commercial banks respond to these challenges by appropriate responses such as diversification, cost leadership, mergers and acquisitions and outsourcing. The study concludes that to survive, commercial banks in Kenya need to respond appropriately to the environmental challenges they face. Based on the findings, it is recommended that commercial banks should constantly identify the environmental

challenges they face in the political, technological, social-cultural and economic arena and adopt appropriate responses to those challenges in order to survive in a highly competitive market.

On the Zambian scene, PWC (2021) conducted a survey on the 2020 Zambia Bank and Non-Bank Industry. The most pressing issue, as indicated by PwC for the banks in Zambia were the impacts of Covid-19 on the economy in general and banking sector in particular. The survey reported that the pandemic had been felt by all businesses to an extent that the Zambian economy was in deep distress because of the disruption to work and operations brought about by pandemic. Due to economic uncertainties, the banking sector was faced with increase in customer defaults leading to losses. Although the survey by PWC does provide information on Impacts of Covid-19 pandemic, it did not investigate the strategic responses that the banking sector is engaged in as it responds to the on-going Covid-19 pandemic issues.

According to the World Bank Group report (2021) on the impact of Covid-19 on firms in Zambia, it was reported that nearly 5% of businesses are reported to have permanently closed in Zambia since the onset of the pandemic. Small and medium-sized firms are the most likely to have ceased operations entirely, while medium-sized firms are most likely to have suspended operations temporarily.

The World Bank Group report (2021) further indicated that more than 70% of Zambian firms report that they are still experiencing depressed demand for their goods or services compared to the situation before the pandemic. On the input supply side, the largest firms have been far more able to source input materials than small and medium enterprises.

The recovery of employment in firms has been bimodal – around 40% of firms have increased their permanent workforce since the middle of 2020, and around 40% have decreased their permanent workforce with large (100+) firms having been the most successful at raising permanent workforce numbers, while medium (20-99) firms have been the most likely to have shed permanent workers.

Thus, Covid-19 has had a considerable impact on businesses in Zambia in general and Banking industry in particular. Both PWC survey and World Bank Group report are very relevant to the current study as they provide secondary information that is very useful to the current study.

OECD (2020) produced a report on Covid-19 and the banking system. The report focused mainly

on impact of Covid-19 on Non-Performing Loans (NPLs). The report aimed at assessing the extent of the potential rise in NPLs depending on the severity of the COVID-19 crisis on the global economic environment and taking into consideration assumptions under extensive monetary and fiscal support versus a scenario without continued support measures in keeping with conditions that prevailed in the past crisis. The paper also investigated the subsequent implications for bank capital and discussed whether policy responses may be needed to clean balance sheets.

Among its findings, the report did mention that governments as well as their central banks did come up with policies (strategies) to ease the challenges faced by banks' as a result of the COVID-19 crisis and induced stress, in turn reducing the impact on bank asset quality. However, the report did not investigate the extent to which banks were responding to the Covid-19 crisis.

2.0 Critique of existing literature

Literature indicates that several studies have been conducted on external environment and banking sector both in Africa and around the world. Studies have been conducted in Kenya by Asenwa (2018) and Akhura (2014), in Albania by Sholla and Nazari (2018), in Sri Lanka by Sanjeevan (2017) and across the global by Kunt et al., (2020). Other studies have been conducted in other developed countries such as USA and Europe.

All the reviewed studies were very relevant to the current study as they gave the researcher guide on what has been said on the topic under investigation. The studies provided necessary information, such as methodology used, on which the current study was developed. However, most of these studies were done in other countries that have a different economic set up as that of Zambia. Moreover, the area of focus for most of the studies is different from the area of focus of the current study.

For example, Sholla and Nazari (2018) conducted a study in Albania. Although, this study is useful to the current study for it provides it with necessary information, the study was done in Europe and as such the solutions it recommended were relevant to Albania. Moreover, there were no strategies mentioned as used by commercial banks to survive in the study by Sholla and Nazari. Therefore, there is need to study the strategic responses to external environment turbulences such as declining copper prices and social-cultural in the Zambian context.

Furthermore, Asenwa (2018) conducted a study in Kenya as indicated above. Although the study by Asenwa (2018) investigated response strategies by banks to external environment turbulence, the focus was on determining the external environmental turbulence factors that affected Sidian bank; establish the strategic responses employed by Sidian bank, and to find out if the strategies employed by Sidian bank in coping with external environmental turbulence are successful. The study did establish the factors that affected commercial banks, but did not investigate how the banks responded to specific factors such as changes to economic system due to decline in copper prices or impact of Covid-19. Although it did investigate on the response strategies to social-cultural, the Kenyan culture is quite different from the Zambian culture; hence the response strategies employed in Kenya by banks may not necessarily be the same as in Zambia due to difference in social-cultural.

Akhura's study, though done in Kenya, which is a developing country like Zambia, provides information that is useful to the current study. However, the two countries have different economic set up as Zambia depends more on copper and Kenya on agriculture. As such, the recommended solutions by Akhura may not work in the Zambian context, hence the need to carry out the current study.

Although the study by Sanjeevan (2017) provides relevant secondary information to the current study, the focus was on the competitive aspect of the external and internal environment and the recommendation were relevant to Sri Lanka.

2.6 Chapter summary

The chapter presented the related literature that was reviewed. The chapter outlined the concept of strategy and external environment and response strategies to external environment. Literature has shown that there are several response strategies that firms can embark on as they respond to external environment. Literature indicates that business firms that use these response strategies often manage to overcome any external environment changes and remain competitive in the market. Next chapter presents the Theoretical and Conceptual frameworks used.

CHAPTER 3

THEORETICAL AND CONCEPTUAL FRAMEWORK

3.0 Introduction

This chapter presents the literature review on the theoretical and conceptual framework for Strategic responses of commercial banks to changes in their external environment and ends with a chapter summary.

3.1 Theoretical framework

A theoretical framework is a set of interconnected ideas, similar to a theory but not as fully developed. In deductive, theory-testing research, theoretical frameworks are clearly crucial. When scientists conduct research investigations in order to develop a theory, they utilize a theoretical framework. The theoretical framework serves as a basis for a study's parameters, or limits. The system approach theory and contingency approach theory are the foundations of this research.

3.1.1 Systems approach

The systems approach branch of modern management theory views an organization as a complex entity that is made up of different or various components that work together to achieve a common goal (Stoner et al., 2004). The classical approach was concerned about the organisation, structure and productivity while the human relations approach was concerned about people, satisfaction and relationships. However, the systems approach attempts to strike a balance between these two earlier approaches and it persuades managers to see the organisation both as a whole and as part of a larger environment (Mullins, 2011). The systems approach sees the organisation as an interdependent, unified system composed of interrelated sub-systems or parts, rather than separate entities (Stoner et al., 2004).

According to Mullins (2011), the systems theory was first used in the physical and natural sciences by a biologist named Ludwig Von Bertalanffy but the subject has been developed by other contributors, especially Chester Barnard and Mary Parker Follet (Lawal, 2012). A system is defined as an established arrangement of parts that are interrelated and interdependent for the purpose of accomplishing particular or predetermined objectives (Jones and George, 2003). A

typical organisation as a system will usually have such sub-systems (departments) as production, marketing, finance, sales, accounts and operations or customer service.

Commercial banks are establishments that rely on system approach as they take inputs from the environment (deposits from customers), inputs undergo conversion (investing) and released as output into the environment (loans). As a matter of fact, commercial banks are a part of a complex system in they themselves are subsystem. Pearce and Robinson (2011), argued that the impact of external environment on business entity was first recognized by open systems theorists who observed that organizations operate not as self-contained isolated units but in continuous and inevitable interaction with the large system surrounding them and within which they exist. It is this surrounding system that these theorists recognized as the external environment, defining it as that which consists of such factors that affect a business enterprise from outside as rivalry, consumer behaviour, supplier behaviour, macroeconomic dynamics, government policy, and global dynamics (Pearce and Robinson, 2007). Based on the rationale of this theory, Bastedo (2004) asserted that the external environment has to influence the manner in which business organizations perform and that the nature of the influence depends on how its impact is managed.

Unlike the classical and human relations approach, the efficiency or otherwise of an organisation depends on its system rather than individual's personality, and managers now know that the success or failure of an organisation is dependent on the type of system developed. This theory also provides an outline to plan and foresee consequences within the environment as they develop (Stoner et al., 2004). Commercial banks are no exception to this as they are typical systems because they have such interdependent and interrelated sub-systems like Corporate, Retail, Treasury and Credit departments and many other departments. All these various efficient independent sub-systems in commercial banks help to make it an efficient organisation as a whole.

Previously, managers disregarded the environment but due to this approach, managers now give consideration to the importance of environmental factors on the internal activities of an organisation and the level of interdependence among sub-systems. Such factors are technology, unforeseen events like Covid-19 pandemic and Social/culture changes (Kuye et al., 2010).

A key criticism of this approach is that the collapse of a sub-system can lead to the failure of the system as a whole and we have seen vivid examples of how pandemics have crippled the financial

systems of the world in the past. Another limitation of this theory is that it is too abstract for managers to use because, although it helps to identify the many parts of an organisation, it does not specify how to achieve organisational goals with it.

3.1.2 Contingency approach

Previous management theories and approaches assumed that their principles or processes were universally applicable in managing organisations. It was later discovered that the opposite is exactly the case. A small organisation, for instance, will require a different approach compared to a large and complex organisation (Robbins and Coulter, 2009). The contingency approach, which is sometimes called the situational approach, arose as a result of this and those who argue in favour of this approach affirm that there is no best management approach and 'it depends' on the circumstances or situation. Managers should take so many factors of the present situation into account (contingencies), before making a decision and they should act on those parts that are crucial to the situation (Cole, 2004; Mullins 2011). According to Robbins and Coulter (2009), the popular contingency variables to consider when faced with different situations are environmental uncertainty, organisation's size, and routineness of task technology and individual differences.

Financial institutions, like many other organisations, rely on the contingency approach, which depends on circumstances. Commercial banks tend to take into consideration so many factors of the present situation into account (contingencies), before making a decision. Until mobile phone services companies introduced the mobile money technology, commercial banks services were only provided at the bank's physical facilities. Most commercial banks had to respond to such competitive contingencies, if they were to survive. In agreement with Amoah-Mensah (2013) who contends that the dynamics and complexity of the external environment are pushing firms not to rely on their internal resources for competitive advantage. This means firms can no longer rely on internal resources but must consider the contingencies of the external environment, if they are to remain competitive and relevant. Apart from sponsoring T.V programmes, commercial banks in Zambia have all embraced the social media, which is an emerging technological contingency in Zambia.

The primary relevance the contingency approach adds to management is that it affirms that there are no universal or simplistic principles for managers to adhere to and that management is entirely

situational (Robbins and Coulter, 2009). A major benefit of this theory is that it makes managers much more dynamic and flexible in their approach to problem-solving and managing organisations, since alternatives for managerial acts are contingent upon internal and external factors. Until mobile phone service providers introduced mobile money technology, commercial banks such as ZANACO never thought of ZANACO Express. Competitive contingencies convinced ZANACO otherwise and adopt similar technology.

One of the major criticisms of the contingency approach is that it is reactive rather than proactive in nature. It only recommends what managers and supervisors should do in a given situation instead of what they must do beforehand. ZANACO's response to mobile booth banking is only reactive in nature due to competition. Another limitation of this approach is that it does not give a detailed or step-by-step action to take when faced with different scenarios. Since there are always a large number of variables or factors to consider in any given situation, this approach becomes complex and laborious.

3.2 Conceptual framework

According to Orodho (2009), a conceptual framework is a representation of how independent and dependent variables are related in a research study as perceived by the researcher. A conceptual framework is very important to a research study because it helps to bring out the dependent as well as independent variables and how they interact or relate with each other. Thus, it helps the researcher to understand response strategies used to respond to changes in external environment.

For the current study, the independent variable will be turbulent external environment of commercial banks in Zambia and will be measured by economic system, technological system/forces and social/cultural system/forces. The dependent variable will be response strategies that commercial banks have employed for the last five years to respond to the turbulent environment forces. Figure 3.1 below shows the independent variable being external environment (Economy, Technology and Social Cultural behaviour) and the dependent variable being response strategies, which is determined by retrenchment strategy, Expansion strategy, stability strategy and Combination/ Ambidextrous strategy.

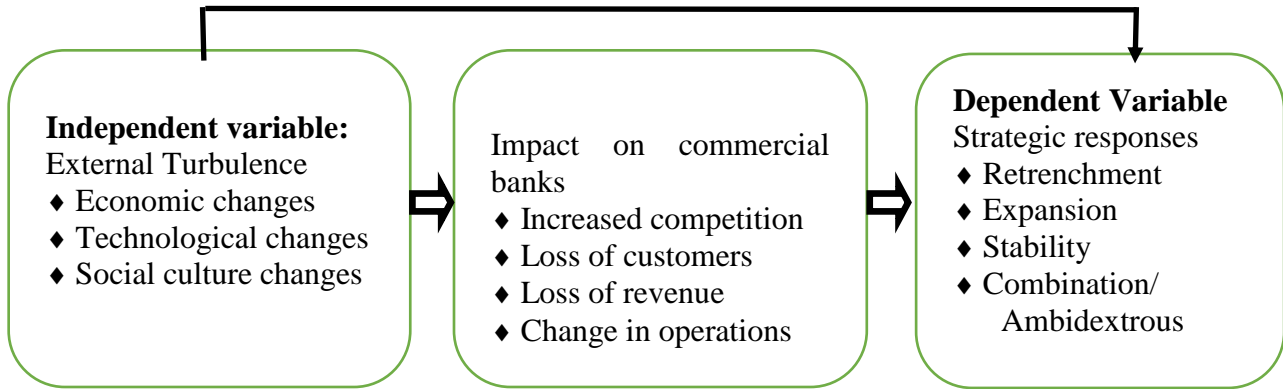


Figure 3.1: Conceptual Framework

Source: Author

3.2.1 External Environment

As indicated in figure 3.1, the independent variable is external environment measured by Economic changes, Technological changes, and social-cultural changes.

3.2.1.1 Economic and its influence on banking

Hiriyappa (2008) states that economic factors concern the nature and direction of the economy within which a business organization operates. Economic growth, interest rates, the availability of credit, inflation rates, foreign exchange rates, and foreign trade balances are among the most critical economic factors. Economic growth can also have a large impact on consumer demand for products and services.

Consequently, organizations should consider forecasts of economic growth in determining when to make critical resource allocation decisions such as plant expansions. Inflation and the availability of credit, among other factors, influence interest rates that organizations have to pay. High interest payments can constrain the strategic flexibility of firms by making new ventures and capacity expansions prohibitively expensive. Low interest rates, coupled with fears that the central bank would raise rates, have led to volatile reactions in the stock market.

In spite of lots of challenges that the bank sector meets in many parts of the country, the management of banks make what they need to be able to go beyond such challenges and towards better economic position. The Zambian economy has for the most part of the last 10 years experienced declined growth mainly due to decline in prices of copper at the international market (OECD, 2020).

Just as financial institutions were adapting to the impact of a prolonged decline in the domestic economy, the onset of the Covid-19 pandemic in March 2020 thrust the industry into the brutal reality of the unknown. Many of Zambia's pre-Covid economic challenges have been exacerbated by the pandemic and financial institutions have had to think on their feet in order to survive in this new environment.

As a result of Covid-19, businesses across the global experienced unprecedented shocks. The banking sector was not spared at all. Businesses in Zambia have faced unprecedented challenges since the onset of Covid-19 pandemic. The scale of problems brought about by the Covid-19 pandemic has tested the resilience of financial institutions unlike anything encountered in living memory. This coupled with an already weak domestic economy has affected almost every aspect of business operations and exposed a plethora of risks – both old and new – for banks and non-bank organisations.

According to the World Bank Group report (2021) on the impact of Covid-19 on firms in Zambia, the key issues noted were: Nearly 5% of businesses are reported to have permanently closed in Zambia since the onset of the pandemic. Small and medium-sized firms are the most likely to have ceased operations entirely, while medium-sized firms are most likely to have suspended operations temporarily.

More than 70% of Zambian firms report that they are still experiencing depressed demand for their goods or services compared to the situation before the pandemic. On the input supply side, the largest firms have been far more able to source input materials than small and medium enterprises.

Operating conditions in Zambia's banking and financial services industry were made more challenging by the Covid-19 pandemic. Banks faced higher loan loss provisions and subdued lending growth. An increase in delinquencies resulted in the NPLs ratio rising to 11.8% in September 2020 from 9.7% at the start of the year (BOZ, 2021).

3.2.1.2 Social-cultural and its influence on banking

The social system is the fabric of ideas, attitudes and behaviour patterns that are involved in human relationships (Pearce and Robinson, 2011). In particular businesses are influenced by consumer attitudes and behaviours which depend on such factors as the age structure of the population, and the nature of work and leisure. Idowu and Adegoke (2014) opined that customer requirements are the most important consideration for business organizations such as banks. As social attitudes change so too does the demand of various types of goods (Smith, 2003).

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Social factors are dynamic with constant change resulting from efforts of individuals to satisfy their desires and needs by controlling and adapting to environment factors. Over the years the social-cultural behaviour has changed as the world is becoming more of global village. Young people's preference in Zambia aligns much with the western culture. We have seen more women taking up corporate jobs and a more educated society pushing for more demands on the banking sector.

3.2.1.3 Technology and its influence on banking

Technological change creates new products, services, and, in some cases, entire new industries. Pearce and Robinson (2011) observed that the technological advancement in manufacturing, processing, preservation, and packaging have facilitated product improvement as well as introduction of new products in the market. It also can change the way society behaves and what society expects. The Internet, hand-held computers, direct satellite systems, and cellular telephones are technological innovations that have experienced extraordinary growth in recent years, leaving formerly well-established industries stunned, creating whole new industries, and influencing the way many people approach work and leisure. Computers and telecommunications technologies, for example, have played an essential role in creating the increasingly global marketplace. The use of technology has changed the way the banking industry conduct business.

Technology has a major impact on the way banking and financial services are delivered. A wide range of alternative delivery mechanism becomes available, Internet, ATM... These Reduces the dependence on the branch network as a core delivery mechanism. With the development of technology, the financial systems are substantially over-supplied with delivery system through a duplication of network, bank has to change their delivery strategy, rationalize their branch network strategy, and widen the range of delivery option.

3.2.2 Response strategies

As indicated in figure 3.1, the dependent variable is response strategies by commercial banks in Zambia measured by Retrenchment Strategy, Expansion Strategy, Stability strategy and Combination / Ambidextrous strategy. As indicated by Ndungu et al (2014), strategic responses are means and ways through which organisations respond to changing environment while ensuring that the organisation achieves its objectives. Jauch (1988 cited in Ndungu et al., 2014) is of the view that decisions and actions taken by an organisation will lead to the development of an effective strategy that is likely to help achieve the objectives of the organisation. The current study will focus on how commercial banks in Zambia have strategically responded to the changes in the environment for the last 5 years by using various strategic responses presented in literature.

Several scholars including: Pearce and Robinson (2011), Hiriyappa (2008), Barney (2008), Thompson, Strickland and Gamble (2008) among others have described a number of response strategies owing to unique changes arising from external environments. Some of the response strategies are explained below.

3.2.2.1 Retrenchment Strategy

Retrenchment strategy involves cutting the operating costs and divestment of non-core assets. In times of turbulent environment, business horizons often shorten with owners/managers focusing on immediate survival rather than on long term aims. Believing it is easier to reduce costs than generate additional revenue, many businesses choose to retrench. Divestment of businesses, establishment closure, reductions in working hours and employment, expenditure cuts on a wide range of activities including R&D, marketing and employee training (Ndungu et al 2014).

3.2.2.2 Expansion Strategy

In contrast with retrenchment, these changes in the external environment are perceived as opportunities to invest, innovate and expand into new markets in order to achieve or extend a competitive advantage during the changes and beyond. Such strategies are risky, and many businesses are likely to be too preoccupied with short term survival to think about innovation and growth. Expansion strategy requires resources, finance, managerial skills and technical expertise and firms with limited resource are less able to implement them. In times of turbulent external environmental conditions, when many customers trade down to cheaper products, market conditions may not support a wide range of new innovations or a large number of firms seeking to diversify (Pettigrew, 1985 cited in Pearce and Robinson, 2011).

3.2.2.3 Stability strategy

Stability relates to measures aimed at sustaining a firm's business activity in response to the external environment. Thus, in contrast to a narrowed scope of activities through retrenchment, such measures aim at preserving the status quo and mitigating the adverse impacts of the crisis (Alshawabkeh et al., 2018). As prior studies indicate, Stability can be a surprisingly effective strategic response to the external environment (Rashid and Julab, 2015). Especially in uncertain situations in which firms are confronted with changed circumstances on a day-to-day basis, stable firms may outperform competitors that conduct strategic changes. This is so because frequent directional changes undermine the value of strategic changes and decisively shift performance advantages to inert organization that preserve the status quo (Pearce and Robinson, 2011)

3.2.2.4 Combination / Ambidextrous strategy

Ambidextrous strategy organisations combine incremental change with discontinuous change, or the exploitation of existing resources to improve efficiency, with exploration of new source of competition advantage and innovation (Hareem, 2010). Such organisations are said to combine retrenchment and expansion strategies. Indeed, it's likely the most firms adopt under dynamic economic environmental conditions through judicious cost or asset cutting behaviour and through selective investments in product innovation and market development. Firms are likely to need to combine increased efficiency with increased innovation in order to position themselves for an

upturn. Cost cutting alone can leave business unable to take advantage of any improvement in trading conditions (Idris and Al-Ghalebi, 2016).

3.3 Chapter summary

This chapter presented the theoretical and conceptual frameworks of the study. The chapter has discussed the theories that will guide the study, which includes the System approach theory, the Contingency approach theory as well as the Era of Dynamic Engagement / Emergent Approaches. These are management theories that inform managers on how they are to manage organisations, especially when considering the external environment. The chapter has also presented and discussed the conceptual framework, which depicts the dependant and independent variables to be used in the study. Discussed in the next chapter is the research methodology to be used.

CHAPTER 4

RESEARCH METHODOLOGY

4.0 Introduction

This chapter provides the methodology used in this study. It describes, among other things the research design, the target population, sample size and sampling procedures, data collection and data analysis procedures that was employed.

4.1 Research Design

As indicated by Creswell (2013), the purpose of a study design is to guarantee that the data collected allows us to answer the research question as clearly as feasible. The researcher's methods and tactics for putting together different components of the study in an orderly and clear manner with the goal of ensuring that the research issue is successfully addressed are referred to as research design.

Lavrakas (2008) contends that the research design is influenced by the nature of the research questions and/or hypotheses, the variables, the sample size of participants, the study settings, data collection procedures, and data analysis methodologies. As a consequence, a research design is the framework, or blueprint, that directs the research process from the formulation of research questions and/or hypotheses through the dissemination of findings.

A quantitative descriptive research design was used in this study. According to Creswell (2013), descriptive surveys are used to examine the relationship between the dependent variable and the independent variables by focusing on specific characteristics of a specific set of respondents at a certain point in time. The features of the population or phenomenon being examined are described using this design. It defines and analyses events that have been discovered via observation as indicators of social reality or descriptions of what occurs in the real world. For this study, the descriptive design is the most useful, as well as the most cost and time efficient, since it allows for data collection and analysis.

For the current study, quantitative approach of data collection was used to enable the researcher gather required data. Quantitative research means that the researcher used a questionnaire to collect quantitative data from respondents (Creswell, 2013).

4.3 Study Site

The study was carried out in Lusaka district of Lusaka Province Zambia. Lusaka is the capital city of Zambia and houses headquarters of most commercial banks where strategic management decisions are made. This location was selected because most, if not all, of the commercial banks in Zambia are headquartered in Lusaka. The researcher picked on this location because he is familiar with the location as he resides within the region. Kombo and Tromp (2013) advise that the ideal setting for any study, is one where the researcher has interest in, easily accessible and one that allows the researcher immediate support with the respondents. Thus, the area is easily accessible, familiar to the researcher and the researcher himself has interest in it. To ensure that the researcher familiarity with the study site does not influence the findings in anyway, the research will use established methods of data collection to protect against bias.

4.4 Study population

A population, according to Diamantopoulos (2004), is a collection of objects from which a sample will be taken. A sample refers to a large number of people/organizations/individuals chosen from a known population with the goal of extrapolating the results to the whole population. Because of time constraints, it is impossible to cover the whole study population (Leedy and Ormord, 2005).

The target population for this research was employees of all the commercial banks in Zambia, which are 19 according to BOZ (2022). However, because not all employees of the bank are involved in strategy formulation, the focus will be on those that are directly involved in strategy formulation. Therefore, the respondents of this study were senior managers in all commercial banks operating in Zambia as at 2022. This is because these managers are in a good position to provide the required information on the strategic position of the bank.

According to the preliminary research conducted by the researcher, it was revealed that banks have top and middle level managers. It was further revealed that industry average per bank for each

level of management is 7 and 13 for top level and middle level management respectively. Table 3.1 shows the total population of managers in the 19 commercial banks in Zambia. The target population was 1235 employees (BOZ, 2022).

Table 4.1: Population Distribution

Level	Population	Percentage
Top management	133	35%
Middle management	247	65%
Total	380	100%

Source: (BOZ, 2022)

4.5 Sampling Techniques

Sampling technique denotes the method used to select the sample from the target population (Kombo and Tromp, 2009). As per Cooper and Schindler (2001), the sample technique used for the study is determined by the project's needs, objectives, available money, and time limitations. Probability (or random) sampling techniques and non-probability sampling methods are the two kinds of sampling methods (Bless and Higson- Smith, 2000). Probability sampling in the name of stratified random sampling was used to select the sample. Kothari (2004) denotes that stratified random sampling technique is used when the population is not homogeneous, making it the appropriate sampling technique.

4.6 Study sample

A sample is a sub-set drawn from the universe population whose findings can be generalized to the universe population (Creswell, 2013). Thus, according to Saunders et al (2016), the sample size is determined by a number of variables, including the length of the study, financial limitations, and demographic characteristics. Therefore, the sample was selected using the stratified random sampling technique. The sampling stratum used was based on the level of management which included: Top level managers and middle level managers. Mugenda & Mugenda (1999) suggest

that a good sample is about 10% -30% of the accessible population and as such the researchers will proportionate select 10% of each level of management.

$$\text{Sample size} = 10\% \text{ of population} = \frac{10}{100} \times 380 \approx 38$$

In order to ensure an equal distribution of respondents, the study utilized 10% of the population to obtain 38 respondents which mean that 2 managers (one top level and one middle level) were sampled from each bank.

4.7 Data collection instruments

The study used both primary and secondary data sources. Primary data was collected through questionnaire (appendix 1). To restrict the amount of answers that might be provided, closed-ended questions were employed. The data was gathered via a survey questionnaire. Survey research techniques are generally suitable for quantitative analysis. This technique is justified for this research because, when correctly designed, a questionnaire may be utilized as a scientific tool to collect data from large groups of people (Creswell, 2013). Experience, talent, care, and time are required to create an effective questionnaire that minimizes interfering issues (Kombo and Tromp, 2013). The questionnaire has the benefit of allowing data collection on a large number of people to be acquired quickly and at a low cost (Creswell, 2013).

On the other hand, secondary data is information or data that is raw or already published on the topic but was of essence to the current study (Babbie, 2010). Secondary data for the current study was mainly obtained from online academic databases which had academic journals, published books and articles containing data and information on commercial bank's response strategies to changes in the external environment, specifically economic, technology and social-culture changes. Secondary data was mainly used to develop the literature review to get an understanding of the study area as well as familiarisation with the methodologies used by other scholars.

4.8 Data collection procedure and timeline

The questionnaire was a self-administered questionnaire in which respondents were asked to fill in personally. The researcher personally distributed questionnaires to all respondents in the 19 commercial banks. A self-administered questionnaire allows respondents to answer questions at

their own time, but can be disadvantageous if they do not understand the questions (Kombo and Tromp, 2013). To ensure that respondents have a complete understanding of the questions in the questionnaire, the research has formulated the questions using simple and easy to understand English.

Time line in research refers to time frame in which a research or study is conducted. Some studies may require collection of data at one point over a number of days, weeks or months and conclude the study, known as cross sectional. While others may require collection of data at different points in time called longitudinal studies (Kothari and Garg, 2014). Therefore, the current study was a cross-sectional study in which the researcher will collect data at one point over a number of days and make inferences based only on that data. This time line was appropriate for the current study as it requires only gathering data once from the respondents and make necessary conclusions.

4.9 Data analysis instruments and procedures

Data analysis denotes the process through which meaning is drawn from the collected data. The statistical data was analysed with the use of computer tools such as Microsoft Word, Microsoft Excel, and SPSS. The percentages, averages, and means were used to represent the result values. If required, frequency charts, tables, and graphs are used to show the results of the data analysis.

4.10 Ethical considerations

Studies whose subjects are people or animals should always consider the conduct of their research while paying attention to ethical issues in carrying out the research, according to Kombo and Tromp (2006). This section outlines the ethical considerations and access issues that were observed prior to conduct of this study.

Prior to embarking on collection of data, the researcher first contacted the respective authorities in the commercial banks to seek permission to carry out the study at the same time to seek for their approval. Justification for conducting the research was given and permission was sought from the relevant authorities concerned where this research was conducted. Upon being given permission by relevant authorities in the commercial banks to carry out the study, the researcher made contact with the selected participants to inform them of the need for the research, their role and seek their approval. Prior consent was sought from all participants. Reasons for carrying out this research

were given and explained prior to distributing the questionnaires.

The foundation of ethics in business research is hinged on four principles namely no harm to participants, there should be informed consent, there should be no invasion of privacy of subjects and there should be no deception on the part of the researcher (Babbie, 2010).

With regard to no harm to research participants, the research participants (subjects) were assured of confidentiality and anonymity in that the data collected was to be used for academic purpose only and that their names would not be published. The researcher took reasonable effort to ensure that both the respondents' physical as well as psychological make-up was protected. With regard to informed consent, the participants were informed and given full details of the research study and their expected role was fully explained before they embarked on the study. With regard to privacy, participants were assured that personal data would be protected by the relevant data protection legislation and that none of their names was to be published. With regard to deception, participants were informed that their participation was voluntary and as such they could withdraw from participation at any given time as they may wish.

4.11 Chapter Summary

This chapter aimed at outlining the research methodology that was adopted and used in the current study to provide answers to the research questions. To that effect, the study has discussed the Research design and its strategy justification, outlined the data collection and analysis methods as well as the sampling frame and the sample size. The chapter has also mentioned the ethical considerations and access issues that were included in the study. The next chapter outlines the findings of the study as well as the analysis of the collected data.

CHAPTER 5

RESULTS PRESENTATION, ANALYSIS AND DISCUSSION

5.1 Introduction

The previous chapter described how data for the research was collected. This chapter is a presentation, analysis and discussion of the research findings from the data that was collected. The purpose of the study was to examine the strategic responses of commercial banks in Zambia to the turbulent external environment. Specifically, the study was guided by three research questions as follows:

1. What response strategies are commercial banks using to address the economic impacts in Zambia?
2. What response strategies are commercial banks using to address changes in technology usage in banking sector in Zambia?
3. How are commercial banks in Zambia strategically responding to the changing social-cultural behaviours of customers in Zambia?

5.2 Response Rate

They study targeted top and middle management for the 19 commercial banks in Zambia, leading to a total number of questionnaires distributed to be 38. Table 5.1 below shows the response rate.

Table 5.1: Response Rate

	Frequency	Percentage
Response	20	52.6
None Response	18	47.4
Total	38	100

Source: Research Data (2022)

A total of 38 questionnaires were given, with 20 of them being returned and properly completed. This equates to a response rate of 52.6 percent. A response rate of 50 percent is appropriate for analysis and reporting, according to Mugenda and Mugenda (2013). Therefore, this response rate was good enough to carry out the analysis and make conclusions.

5.3 Sample Profile of Respondents

In most research cases, the sample profile of respondents is used to evaluate the qualities of the intended respondents. In this study, gender, level of education, designation and job experience are all factors that are significant to this study. Frequency distributions for personal data were derived using this data and are shown in table 5.2 below.

5.3.1 Gender of respondents

With regard to gender of respondents, the findings are given in table 5.2 below

Table 5.2: Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	16	80	80	59
Female	4	20	20	100
Total	20	100	100	

Source: Research Data 2022

According to table 5.2, men accounted for 80 percent (16) of the respondents, while females accounted for 20 percent (4) of the questionnaires. The proportion of men and females who participated in the study differed by 60 percent, according to these findings.

5.3.2 Level of education of Respondents

With regard to level of education of respondents, the findings are given in table 5.3 below.

Table 5.3: Level of Education of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
School certificate	0	0	0	0
Tertiary certificate	0	0	0	0
Diploma/equivalent professional qualification	0	0	0	0
Degree/equivalent professional qualification	5	25	25	25
Postgraduate	15	75	75	100
Total	20	100	100	

Source: Research Data 2022

The findings revealed that majority of the respondents had postgraduate education as their highest level of education attained. This was represented by 75% (15) of the respondents. On the other hand 25% (5) had degree/equivalent professional qualification. The findings indicate that the respondents were knowledgeable enough to help the researcher gather necessary data to answer the research questions.

5.3.3 Respondent’s Position

From the data collected, the findings indicated that respondents held various positions including country treasurer, Head Credit Risk, Head Business Banking, Manager Credit, Head Retail and Digital Banking, Director Global Markets, Head Assets, Chief Information Officer, Head Treasury, Chief Financial Officer, Head of Operations, Director Credit Risk, Head Transactional

Banking, Chief Operations Officer, Chief Executive Officer, and Senior Relations Manager. This implied respondent held position that participate in strategic issues of the bank and thus were competent enough to respond to broad issues on strategic responses.

5.3.4 Respondent’s job experience

The study sought to find out the number of years that respondents had been in the banking sector to determine their experience. The findings are shown.

Table 5.4: Respondent’s job experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	0	0	0	0
1-4 years	1	5	5	5
5-9 years	4	20	20	25
Over 10 years	15	75	75	100
Total	20	100	100	

Source: Research data 2022

As shown in table 5.4, years of experience in the sector, over 10 years scored the highest frequency and consequently the largest percentage of 15 and 75% respectively. Respondents with work experience of 5 - 9 years came in second and over 1 – 4 years was the third with their respective score being 20.0% (5) and 5.0% (1). Less than 1-year work experience scored the least with 0% (0). The findings implied that respondents were competent enough to respond to broad issues on strategic responses.

5.4. Reliability of Instrument

To test for reliability of the research instruments, the Cronbach alpha coefficient test was conducted. The Cronbach coefficient results are shown in table 5.5 below.

Table 5.5: Reliability of Instrument

Variable	Cronbach's Alpha	No of Items
Economic changes	0.832	4
Digital changes	0.977	3
Social-culture changes	0.963	4

Source: Author (2023)

The reliability test, according to Saunders (2009), determines if the ideas under consideration are consistent. The research instrument is regarded dependable when the findings of a study can be replicated using the same approach (Saunders, 2009). The Cronbach alpha coefficient test was used to validate the reliability of both the study and the items in each idea (Bryman & Bell, 2011). A Cronbach alpha value between 0.6 to 0.8 is deemed acceptable (Saunders, 2009). Thus, all of the variables and their accompanying items fell inside the allowed range of Cronbach's Alpha, therefore they were declared trustworthy.

5.5 Response strategies to economic changes

Respondents were asked several questions in order to determine commercial banks responses to economic changes in the environment. The findings are given below.

The study sought to determine the degree of change in the economic environment of the commercial banks in the last five years.

The respondents were asked to rate on a scale of 1 – 5, the scale ranged from 1 – strongly disagree to 5 – strongly agree; the degree of change of the economic environment as being high in the banking sector in Zambia. Table 5.5 shows the findings.

Table 5.5: Distribution of respondents on Degree of change in economic environment being high

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	14	70	70	70
	Agree	5	25	25	95
	Undecided	0	0	0	95
	Disagree	0	0	0	95
	Strongly Disagree	1	5	5	100
	Total	20	100	100	
	Mean (X)	4.6			

Source: Research Data (2022)

As is apparent in table 5.5 above, majority of the respondents strongly agreed that the degree of change in the economic was high in the last five years (2018 – 2022), represented by 70% (14) of the total respondents. This was followed by 25% (5) who agreed that the degree of change in the economic factors was high in banking sector. Only 5% (1) of the respondents disagreed that the degree of change in economic factors was not high. The mean score was 4.6 implying that respondents agreed that the degree of change in economic environment was high in the banking sector.

When probed further to indicate which economic factors led to change in external economic environment of commercial banks three major themes emerged namely inflation, interest rate and gross domestic product. The respondents indicated that interest rate and inflation rate were high in the five years under consideration in this study while GDP had contracted from the average 4.6% for the ten years running from 2010 to 2020 to 2.4%. This is an indication that the degree of change in the economic factors such as interest rate and inflation was high and Gross Domestic Product had reduced. Therefore, the state of the commercial bank’s external environment with regard to

economic factors were not stable as it was increasing with regard to interest rate and inflation and reducing with regard to GDP.

The respondents were asked to rate on a scale of 1 – 5, the scale ranged from 1 – not at all to 5 – very great extent, the extent to which the economic forces affected the operations of the commercial banks in Zambia in last five years. The findings are given in table 5.6 below.

Table 5.6: Extent of influence of economic factors on commercial banks’ operations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	8	40	40	40
	To a great extent	4	20	20	60
	To some extent	3	15	15	75
	Very little	3	15	15	90
	Not at all	2	10	10	100
	Total	20	100	100	

Source: Research Data (2022)

From table 5.6, respondents indicated that economic changes in the external environment influenced operations of the commercial banks as 40% stated very great extent, 20% to a great extent, 15% to some extent and 15% to very little. Only 10% stated that the economic forces did not at all influence the operations of the commercial banks. This finding suggests that changes in the economic forces influenced the operations of the commercial banks in the last five years.

When probed further on how the extent of economic changes affected banking operations, the respondents indicated that increase in interest rates and inflation and contraction in GDP led to less loans issued by commercial banks leading to some banks closing some of their branches due to reduction in revenue.

The respondents were further asked to rate on a scale of 1 – 5, the scale ranged from 1 – strongly disagree to 5 – strongly agree, if economic environmental changes impacted choice of response strategy. Table 5.7 shows the findings.

Table 5:7. Respondent’s views on impact of economic changes on bank’s choice of response strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	16	80	80	80
	Agree	4	20	20	100
	Undecided	0	0	0	100
	Disagree	0	0	0	100
	Strongly Disagree	0	0	0	100
	Total	20	100	100	
	Mean	4.8			

Source: Research Data (2022)

Findings in table 5.7 shows that majority of the respondents agreed that changes in economic environment of commercial banks impacted bank’s choice of strategy as 80% (16) and 20% (4) strongly agreed and agreed respectively. The mean score was 4.8 implying that respondents agreed that changes in the economic environment impacted the bank’s choice of strategy.

The study sought to examine the response strategies commercial banks adopt in a bid to respond to changes in economic environment in Zambia. The table 5.8 shows the responses.

Table 5.8: Response strategies to economic changes in the external environment

Response Strategies to economic changes	Percentage (%) per scale level					Mean	Standard Deviation
	Not at all	Very little	To some extent	To a great extent	Very great extent		
Retrenchment of employees	70	15	15	0	0	1.45	0.76
Expansion into new markets	25	15	15	45	0	2.8	1.28
Stability	5	0	10	25	60	4.35	1.04
Ambidextrous	25	10	40	20	5	2.7	1.22

Source: Research Data (2022)

From table 5.8, adopting stability at 60% scored the highest and mean of 4.35 and SD of 1.04 meaning most commercial banks responded to the changing economic environment by adopting stability strategies with majority (70%) indicating that retrenchment was not used at all. The other strategies, although used by commercial banks, was not used to a very great extent as compared to stability.

5.6 Response strategies to technological changes

The respondents were asked to rate, on a scale of 1 – 5, the scale ranged from 1 – strongly disagree to 5 – strongly agree, that the degree of change of the technological environment as being high in the banking sector in Zambia. Table 5.9 shows the findings.

Table 5.9: Distribution of respondents on degree of change in technological environment being high.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	15	75	75	75
	Agree	4	20	20	95
	Undecided	0	0	0	95
	Disagree	0	0	0	95
	Strongly Disagree	1	5	5	100
	Total	20	100	100	

Source: Research Data (2022)

Findings in table 5.9 indicate that 75% (15) of the respondents strongly agreed that the degree of change in technological environment was high. 20% (4) of the respondents agreed that the degree of change in technological environment was high. Only 5% (1) strongly disagreed that the degree of change in technological environment was high. The mean score was 4.1, indicating that respondents agreed that the degree of change in technological environment was high.

When probed further to indicate which technological factors led to high degree of change in commercial bank's technological external environment, respondents indicated that internet banking and mobile money were the major changes in the technological external environment of the commercial banks in Zambia for the five years under consideration in the study.

The respondents were asked to rate on a scale of 1 – 5, the scale ranged from 1 – not at all to 5 – very great extent, the extent to which the technological factors affected the operations of the commercial banks in Zambia in last five years. The findings are given in table 5.10 below.

Table 5.10: Extent of influence of technological factors on commercial banks' operations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	9	45	45	45
	To a great extent	4	20	20	65
	To some extent	1	5	5	70
	Very little	3	15	15	85
	Not at all	3	15	15	100
	Total	20	100	100	

Source: Research Data (2022)

From the results shown in table 5.10, very great extent had 45% (9), to a great extent had 20% (4), to some extent had 5% (1), very little extent had 15% (3) and not at all had 15% (3). This implies that majority or the respondents stated that technological factors did influence the operations of the commercial banks.

When probed further to indicate how the changes in technological environment affected the operations of the commercial banks in Zambia, respondents indicated that it improved the rate at which commercial banks would attend to customer needs on one hand. On the other hand, it increased the competition as customers would rather keep their money in mobile money accounts as opposed to bank accounts. This is an indication that technological changes had both positive and negative effects on banks operations.

Table 5.11: Respondent’s views on impact of technological changes on bank’s choice of response strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	6	30	30	30
	Agree	8	40	40	70
	Undecided	2	10	10	80
	Disagree	3	15	15	95
	Strongly Disagree	1	5	5	100
	Total	20	100	100	
	Mean	3.75			

Source: Research Data (2022)

Findings in table 5.11 shows that majority of the respondents agreed that changes in technological environment of commercial banks impacted bank’s choice of strategy as 30% (6) and 40% (8) strongly agreed and agreed respectively. On the other hand, 5% (1) strongly disagreed, 15% (3) disagreed and 10% (2) were undecided. The mean score was 3.75 implying that respondents agreed that changes in the technological environment impacted the bank’s choice of strategy.

The study sought to examine the response strategies commercial banks adopt in a bid to respond to changes in technological environment in Zambia. The table 5.12 shows the responses.

Table 5.12: Response strategies to technological changes in external environment

Response Strategies to economic changes	Percentage (%) per scale level					Mean	Standard Deviation
	Not at all	Very little	To some extent	To a great extent	Very great extent		
Digitalization	0%	0%	5%	0%	95%	4.9	0.44
Integrated IT systems in banks (i.e. upgrading existing and installation of new gadgets)	0%	0%	20%	30%	50%	4.3	0.8
Internet and Mobile banking	5%	0%	20%	30%	45%	4.1	1.23

Source: Research Data (2022)

Findings in table 5.12 above shows that adopting digitalization at 95% scored the highest and mean of 4.9 and SD of 0.44 meaning most commercial banks responded to the changing technological environment by adopting digitalization strategies. It appears the other two strategies fell within digitalization in which majority indicated that commercial banks integrated IT systems in banks (i.e. upgrading existing and installation of new gadgets) as well as use of internet and mobile banking.

5.7 Response strategies to social-cultural changes

The respondents were asked to rate on a scale of 1 – 5, the scale ranged from 1 – strongly disagree to 5 – strongly agree on the degree of change of the social-cultural environment as being high in the banking sector in Zambia. Table 5.13 shows the findings.

Table 5.13: Distribution of respondents on degree of change in social-cultural environment being high

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	3	15	15	15
	Agree	2	10	10	25
	Undecided	3	15	15	40
	Disagree	8	40	40	80
	Strongly Disagree	4	20	20	100
	Total	20	100	100	
Mean		2.6			

Source: Research Data (2022)

Findings in table 5.13 indicate that 15% (3) of the respondents strongly agreed that the degree of change in social-cultural environment was high. 10% (2) of the respondents agreed that the degree of change in social-cultural environment was high. 15% (3) were undecided on degree of change in social-cultural being high, while 40% (8) disagreed that degree of change in social-cultural was high. 20% (4) strongly disagreed that the degree of change in the social-cultural environment was high. The mean score was 2.6 implying that respondents disagreed that the degree of change in social-cultural was high.

When probed further to indicate which of the social-cultural factors had changed in the social-cultural, respondents that agreed that social-cultural change was high indicated that consumer behaviour, as a result of introduction of internet, had changed. Consumers are now more interested in associating everything with internet.

The respondents were asked to rate on a scale of 1 – 5, the scale ranged from 1 – not at all to 5 – very great extent, the extent to which the social-cultural factors affected the operations of the commercial banks in Zambia in last five years. The findings are given in table 5.14 below.

Table 5.14: Extent of influence of Social-cultural factors on commercial banks’ operations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	1	5	5	5
	To a great extent	3	15	15	20
	To some extent	4	20	20	40
	Very little	7	35	35	75
	Not at all	5	25	25	100
	Total	20	100	100	

Source: Research Data (2022)

From the results shown in table 5.14, very great extent had 5% (1), to a great extent had 15% (3), to some extent had 20% (4), very little extent had 35% (7) and not at all had 25% (5). This implies that majority or the respondents stated that social-cultural did not influence the operations of the commercial banks.

When probed further to indicate how the change in social-cultural was impacting operations of the commercial banks, respondents indicated that the commercial banks were resorting to changing their ways of operating by incorporating more technology.

The respondents were further asked to rate on a scale of 1 – 5, the scale ranged from 1 – strongly disagree to 5 – strongly agree, if social-cultural changes impacted the bank’s choice of response strategy. Table 5.15 shows the findings.

Table 5.15: Respondent’s views on impact of social-cultural changes on bank’s choice of response strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	3	15	15	15
	Agree	4	20	20	35
	Undecided	6	30	30	65
	Disagree	4	20	20	85

Strongly Disagree	3	15	15	100
Total	20	100	100	
Mean	3			

Source: Research Data (2022)

Findings in table 5.15 show that the respondents were undecided as majority of the respondents indicated undecided; this is represented by 30% (6) of total respondents. The mean score was exactly 3 implying respondents were undecided.

The study sought to examine the response strategies commercial banks adopt in a bid to respond to changes in social-cultural environment in Zambia. The table 5.16 shows the responses.

Table 5.16: Response Strategies to changes in social-cultural of customers.

Response Strategies to social-cultural changes	Percentage (%) per scale level					Mean	Standard Deviation
	Not at all	Very little	To some extent	To a great extent	Very great extent		
Timely service delivery	5	10	20	25	40	3.85	1.23
Effective handling of complaints	0	15	10	25	50	4.1	1.12
Diversity and new ways of working	10	5	15	40	30	3.75	1.25
Create financial products that meet the needs of all the customers	5	10	20	35	30	3.75	1.24

Source: Research Data (2022)

From table 5.16, adopting effective complaint handling at 50% scored the highest and mean of 4.1 and SD of 0.44 meaning half of the commercial banks responded to the changing social-cultural

environment by adopting effective complaint handling strategies. However, the other strategies also scored means above 3.0 implying that they were also used as response strategies to the changing social-cultural environment.

5.8 correlation analysis

A correlation analysis was conducted to determine the existence of any relationships between the response strategies and external environmental turbulence. Correlational analysis is a statistical technique for determining the relationship between two continuous variables, which may be either independent and dependent variables or two independent variables (Hinton et al 2004). Correlation analysis, in particular, assesses the degree of correspondence between the ordering of two random variables. The direction and strength of correlations among the independent variables of economic changes, technology changes and socio-culture changes were assessed using Pearson correlation analysis in this study. Response strategy was the dependent variable.

Table 5.17: Correlation Matrix

Variables	Position	Economic changes	Technological changes	Social-culture changes	Response strategies
Position	1				
Economic changes	-0.031	1			
Technological changes	0.021	.191**	1		
Socio-culture changes	0.085	.207**	0.064	1	
Response strategies	-0.060	.393**	.401**	.297**	1

Source: Research Data (2023)

Based on the results depicted in table 5.17, the strength of association between the control variable which is the position one hold in a bank and response strategy is weak is weak and insignificant ($r = -0.060$). This is an indication that the position one holds in a bank has no bearing on the response strategy that the commercial bank adopts to respond to changes in the external environment.

According to table 5.17 above, all the three independent variables depict a significant relationship with response strategies. This relationship is positively significant and it suggests that economic changes, technological changes and socio-culture changes are positively correlated with response strategies. This simply means that these variables at a significance level of 0.01 as an influencer of response strategies are positively significantly correlated with a modest relationship; technological changes ($r = 0.401$), economic changes ($r = 0.393$) and socio-culture changes ($r = 0.297$). Finally, technological changes

revealed the highest relationship with response strategies ($r = 0.401$)

According to Hair and Bush (2004), the range of correlation values is -1 to +1. Furthermore, the greater the association between the variables, the higher the correlation coefficient. All variables are positively and modestly connected to response strategies, according to Table 5.15. The correlation between the variables is, nevertheless, modest. Cohen (1988) backs up the preceding assessments, claiming that a moderate connection is between 0.1 and 0.49, while a strong link is between 0.50 and 1.00.

5.9 Regression analysis

According to Hinton et al. (2004), regression is a statistical approach for analyzing linear connections between a dependent and numerous independent variables by calculating coefficients for a straight-line equation. Thus, a strong method for determining the average link between two or more variables is regression analysis. Regression is a statistical method that is used to predict the value of an unknown variable based on the value of a known variable.

However, before conducting regression analysis, multicollinearity test was conducted. Findings are shown in table 5.18.

Table 5.18: Multicollinearity test

Model	Collinearity Statistics	
	Tolerance	VIF
Economic changes	0.870	1.150
Technological changes	0.910	1.099
Social-culture changes	0.775	1.290

Source: Author

Preliminary tests in the table show that multicollinearity is not an issue since the variance inflation factor (VIF) values for the control and independent variables were both less than 5. (Pallant, 2016). All regression coefficients are in the predicted positive direction, according to further testing.

A regression analysis was then conducted to investigate the extent to which the external turbulence influenced response strategies adopted by the commercial banks. Findings are shown in table 5.17 below.

Table 5.19: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.310 ^a	0.096	0.077	0.52166

Source: Research Data (2023)

Table 5.19 showed a correlation coefficient (R) of 0.310 indicated the existence of a positive relationship between external environmental turbulence, which encompasses, (economic changes, technological changes and socio-culture changes) and dependent variable (response strategies). Further, the R-squared value of .096 indicating that the environmental turbulence affects 9.6% of the response strategies used by commercial banks in Zambia. As such, the research observed that the external environment turbulence is important in determining the response strategies adopted by commercial banks. The remaining 81.4% explains factors not present in the current study.

5.10 Discussion of findings

The purpose of this study was to investigate the strategic responses employed by commercial banks to changes in the external environmental in Zambia with regard to economic turbulence, technological turbulence and social-cultural turbulence. According to the study findings, there were changes in the economic, technological, and social-cultural environment that prompted commercial banks in Zambia to adopt different response strategies. In light of this, the next section provides an in-depth discussion of the results and highlights additional studies with comparable and dissimilar results. The findings are discussed according to research objectives.

5.10.1 Response strategies to economic changes

From the study, the degree of change in economic environment for the period under study was high. More than 90% of respondents (with 70% strongly agreeing and 25% agreeing) indicated that there were changes in the economic environment of the commercial banks in the last five years. The result is an indication that economic environment changes were significant in the banking sector in Zambia. This indicates that the state of the external economic environment was full of challenges. This finding is in line with PwC (2021) who reported that the banking sector in Zambia faced a number of economic challenges from 2015 to 2020 among them the declining state of the local economy, the impact of Covid-19 on economy and operations of businesses; high credit risk and Non-Performing Loans and cyber-security.

This finding suggests that commercial banks must constantly scan their economic environment to assess changes in the economic environment and develop strategies to respond to those changes. As indicated by Ansoff (2007), firms must scan the environment to understand the trends so they can develop strategies that will help the firm to survive in turbulent external environment. When asked on the tools used to scan the external environment, findings showed that commercial banks were using PESTEL analysis as well as SWOT analysis.

The finding is also in line with the systems theory (Pearce and Robinson, 2011), which postulates that businesses are subsystems within a large system and as such happenings in the other subsystems will definitely have an impact on the other subsystems. Therefore, commercial banks, being subsystems in the economic system, are affected by the happenings in the economic system as a whole (Cole, 2004). The findings further revealed that economic factors such as interest rate and inflation rate were high leading to some commercial banks closing some of their branches across the country. Thus, the macro dynamics such as dwindling state of economy as a result of Covid-19 affected commercial banks operations, prompting them to respond with response strategies.

The study findings further indicated that the change in the economic environment of the commercial banks prompted commercial banks to adopt response strategies to the changes as 80% strongly agreed and 20% agreed. According to the study findings, a number of response strategies

were reported as being adopted. However, most banks adopted stability as a response strategy to economic changes, which scored 60% with mean of 4.35 and standard deviation of 1.04. This finding is an indication that most commercial banks in Zambia responded to the changing economic environment by adopting stability strategy. This finding is in line with earlier study by Sanjeevan (2017) who reported that commercial banks in Sri Lanka adopted stability strategy. The stability strategy, seeks to maintain operations and market size and position, may have been adopted by most banks owing to the fact that most commercial banks choose not to change their strategies, but maintain the same strategies that they had.

However, despite the reported changes in the economic environment of commercial banks, the findings showed that most commercial banks in Zambia reported increased revenue (PwC, 2021). This can be due to that fact that changes in the external environment can pose constraints as well as create opportunities for organizations (Hrebiniak and Joyce, 1985). As indicated by PwC (2021), commercial banks in Zambia are faced by various economic changes among them the state of the local economy,

the impact of Covid-19 on economy and operations of businesses and the advance in technology. Such difficult economic conditions pose major threats to, but perhaps also offer important opportunities for, businesses. Businesses have to come up with strategies that will be employed to impact on both short-term company performance as well as long-term performance in recovery (Whittington, 1991).

Ambidextrous strategies were also used by the commercial banks in responding to economic changes as 75% of the respondents indicated that commercial banks used ambidextrous strategies to respond to changes in the economy. Only 25% of the respondents indicated that ambidextrous strategies were not used at all. This finding is in line with the findings of Sanjeepan (2017) who reported that banks in Sri Lanka used a myriad of response strategies to respond to changes in the external environment. Ambidextrous strategies refer to the use of a combination of strategies. Ambidextrous strategies are good since commercial banks are faced with different challenges in the economic environment and a use of a combination of strategies helps to respond to various challenges (Cole, 2005). Just as several authors have proposed, a balanced or ambidextrous approach covering both short-term efficiency improvements and selective market-oriented investments can lead to a higher chance of success both during as well as after the economic changes (Pearce and Michael, 2006; Rhodes and Stelter, 2009; Kitching et al., 2009).

5.10.2 Response strategies to technological changes

The study sought to determine the response strategies that commercial banks adopted to respond to changes in technology. From the findings, it was revealed that the banking sector in Zambia did experience technological changes as 75% (15) of the respondents strongly agreed that the degree of change in technological environment was high. A further 20% (4) of the respondents agreed that the degree of change in technological environment was high. The finding suggests that technological change was a significant part of the external environmental turbulence in the banking industry in Zambia. The mean score of 4.1 indicates that respondents were in agreement that technological changes impacted the operations of the commercial banks. The study findings further indicated that technological factors had both positive and negative impact on the operations of the commercial banks as it increased the efficiency to which commercial banks attended to customer needs and increased competition, especially from non-banking institutions such as mobile money institutions.

The finding is in line with the findings of Asenwa (2018) who reported that technology was one of the turbulent external factors that commercial banks in Kenya faced. The same findings were also reported

by Sholla and Nazari (2018) in Commercial Banks in Albania. The study finding suggests that commercial banks must pay attention to changes in the technology if they are to stay in touch with changing trends in the technology world. Commercial banks need to use as many tools as possible to scan the environment so they are prepared for any changes in the technology world. This was also echoed by Sanjeevan (2017) who reported that commercial banks in Sri Lanka engaged in strategic planning using various strategic tools such as Porter's five forces.

The findings further showed that changes in the technology world impacted on the choice of strategy that commercial banks adopted as 70% of the respondents, with a mean score of 3.75, agreed that technological environment impacted the bank's choice of strategy. Technologies have become an important aspect of every organization out there that aims at not only being profitable, but also survive the competitive business world. According to Sanjeevan (2017), technological advancement brings with it negatives as well as positives such as home banking and internet banking, however, banks do not experience all these at the same time. Therefore, while mobile money business comes as a threat to banks, they can use the same mobile money to their advantage by ensuring they partner with Mobile Network Operators (MNO) to allow customers send money from their bank accounts to their mobile money lines. Therefore, technology changes can be utilized by the commercial banks to their advantage.

The study findings further showed that commercial banks adopted response strategies to respond to changes in tech world. According to the findings, digitalisation, in form of integrated IT system in banks (that is upgrading and installation of new IT technology) was adopted as a response strategy to tech changes in the external environment. Adopting digitalization at 95% scored the highest and mean of 4.9 and SD of 0.44 meaning most commercial banks responded to the changing technological environment by adopting digitalization strategies. This finding suggests that banks can use information and communication technology to enhance service delivery. This finding is in line with Akhura (2014) who reported that commercial banks in Kenya adopted modern information and technology system to increase its efficiency and effectiveness in its operations. Good I.C.T in banks ensures that banks create an interconnectivity and decentralization that enables customers to receive excellent and best service at any branch regardless of where the customer opened his/her account (Pearce and Robinson, 2011).

The implication of this finding is that commercial banks need to invest in information and communication technology since adoption of technology does not only improve the way commercial banks conducts their business, but also allows customers to easily access commercial banks products

and services.

5.10.3 Response Strategies to social-cultural changes

From the study findings, majority of the respondents disagreed with the notion that social-cultural change in the external environment of commercial banks was high with 40% (8) disagreeing and 20% (4) strongly disagreeing. Only 15% (3) of the respondents agreed that social-cultural change was high while 10% (2) were undecided. With a mean score of 2.6, there was no social-cultural change being felt by the commercial banks in Zambia in the period under consideration.

This finding was different from that of Thurania (2012) who reported that the social cultural environment variables like younger population, more educated population and changing lifestyles such as spending patterns and social habits had some impact on banks. The difference in finding can be attributed to difference in social-cultural between Zambia and Kenya.

Researchers have indicated that businesses are influenced by consumer attitudes and behaviours which depend on such factors as the age structure of the population, and the nature of work and leisure. Therefore, this finding implies that commercial banks in Zambia do not pay attention to the consumer attitudes and behaviours when coming up with products and services to offer. This is in conflict with Idowu and Adegoke (2014) who opined that customer requirements are the most important consideration for business organizations such as banks. However, this can be justified with the fact that most banks had adopted stability strategy, which basically seeks to maintain operations and market size and position. Thus, commercial banks were not concerned with changes in social-cultural of the people of Zambia.

With regard to impact of social-cultural changes on banks choice of strategy, the findings revealed that the respondents were undecided as majority of the respondents indicated undecided, represented by 30% (6) of total respondents. The mean score was exactly 3 implying respondents were undecided. This would explain why the respondents felt that the social-cultural changes were not felt by the commercial banks in Zambia. Yet again, this finding is different from that of Thurania (2012) who reported that social-cultural factors such as the age structure of the population, and the nature of work and leisure were used by commercial banks to inform their marketing and management strategies in Kenya. The same study reported that increasing level of education, exposure and awareness among Kenyans, has led to the emergence of more interests and demanding customer. Thus, commercial banks' choice of strategies was also dependent on

this.

The difference in the findings may again be attributed to the fact that most commercial banks adopted stability strategies, meaning they were more interested in maintaining the status core and study the population and access what they want. However, it is important that commercial banks understand marketing segmentation and develop a variety of products to satisfy the constantly changing customer needs (attitudes and behaviour).

Despite having indicated that commercial banks did not feel social-cultural changes in the environment and that social-cultural changes did not influence banks choice of strategy, respondents did report some response strategies that commercial banks adopted to respond to changes in social-cultural of citizens. According to the findings, effective handling of complaints (50%, $X = 4.1$), Timely service delivery (40%; $X=3.85$), diversity and new ways of working (30%; $X = 3.75$) and creating financial products that meet the needs of all the customers (30%; $X=3.75$) were some of the response strategies adopted to respond to changes in social-cultural environment. This finding is in line with that of Sanjeevan (2017) who reported that commercial banks responded to changes in customer attitudes and behaviour through customer service strategies such as changing the way commercial banks relate with its customers. This finding suggests that commercial banks were using customer service strategy objective to respond to changes in attitude and behaviour of customers. Good customer service means constantly meeting customer expectations (Cole, 2005). Thus, commercial banks, through timely delivery of services, effective handling of complaints, diversity and new ways of working and creating financial products that meet the needs of all the customers (Porter, 2008) were some of the ways through which consistent customer expectations were met.

Overall, both the correlation and regression analysis have shown that external environmental turbulence is related to response strategies. A R -squared of 0.096 has shown that external environmental turbulence accounts for 9.6% of the response strategies adopted by the commercial banks in Zambia.

5.11 Chapter Summary

The chapter presented the analysis and discussion of results on research whose purpose was to examine the response strategies of commercial banks to external environment turbulence in

Zambia. The study sought to find out the response strategies that commercial banks in Zambia adopted as they responded to changes in economic environment, technological environment as well as social-cultural environment, and this chapter presented and discussed the findings. The next chapter presents the conclusion and recommendations based on the findings.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

Following the presentation, analysis and discussion of the findings in the previous chapter on the response strategies adopted by commercial banks to respond to external environment turbulence, the next portion of this research report provides the conclusions and recommendations based on the results of the study.

6.2 Conclusions

The general objective of the study was to investigate the response strategies that commercial banks adopted to respond to economic, technological and social-cultural changes in the banking external environment in Zambia. Changes in the business environment have remained one of the pressing issues in the banking sector as indicated by PwC (2021). The advancements in technology, changes in attitudes and behaviours of consumers as well as economic trends force commercial banks to respond strategically in order to remain competitive (Porter, 2008). It was thus imperative to investigate the response strategies that commercial banks in Zambia adopted in the midst of external environmental turbulence.

The study was based on a descriptive research design in which quantitative data was collected from 38 top and middle management in the commercial banks. The study sought to investigate response strategies that commercial banks in Zambia approached to respond to changes in the economic environment, tech environment and social-cultural environment.

The objectives sought to be met were achieved as evidenced by the findings in which it was revealed that commercial banks experience economic, technology and social-cultural changes and that commercial banks adopt various response strategies to respond to these changes.

6.2.1 Response strategies to economic changes

The first objective was to establish the response strategies used by commercial banks in Zambia towards external economy changes. According to the findings, a considerable change in economic

trends were recorded in the 5-year period (2018 – 2022) under consideration the study. According to the findings, interest rate and inflation were fluctuating with average figures showing an increase in both parameters. According to the findings, GDP had contracted from the average 4.6% for the ten years running from 2010 to 2020 to 2.4%.

The findings further revealed that the reported changes in the economic environment impacted the operations of the commercial banks. According to the findings, increase in interest rates and inflation and contraction in GDP led to less loans issued by commercial banks.

The findings further revealed that commercial banks responded to changes by closing some of their branches in order to attain stability. Therefore, the study concluded that stability strategy was adopted as response strategy to changes in economic trends including increase in interest rates and inflation, and reduction in GDP average annual growth.

6.2.2 Response strategies to technological changes

The second objective aimed at determining the response strategies that commercial banks in Zambia used to respond to changes in technology. According to the findings, the degree of change in technological environment was high. Internet banking, mobile banking and mobile money markets were the major changes in the technological external environment of the commercial banks in Zambia for the five years under consideration in the study, according to study findings.

The findings further revealed that changes in the technological environment affected commercial bank's operations in two ways. Firstly, it improved the rate at which commercial banks would attend to customer needs. Instead of customer having to walk into the branch to have their concerns address, commercial banks have established online customer service platforms that allows customers to forward their concerns from wherever they are. Secondly, advances in technology had led to increased competition from mobile money service providers. According to the findings, commercial banks are in competition with mobile money service providers as citizens favour keep their money in mobile money accounts as opposed to bank accounts. The study concluded that technology had both positive and negative impact on commercial bank's operations.

The study findings further revealed that changes in technological environment of commercial banks impacted bank's choice of strategy and that the choice of strategy as a result of changes in

technology was digitalisation. According to findings, commercial banks integrated IT systems in banks (i.e. upgrading existing and installation of new gadgets) as well as use of internet and mobile banking.

6.2.3 Response strategies to Social-culture changes

The third objective aimed at establishing the response strategies commercial banks in Zambia used to respond to social-cultural changes. According to study findings, social culture change was not experienced by commercial banks in Zambia as majority of respondents disagreeing that the degree of change in social-cultural was high (mean score = 2.6). Study further revealed that Social-culture change was mainly with regard to consumer behaviour change in which everything was associated with internet, for those that experienced Social-culture change.

Study further revealed that change in consumer behaviour affected the way commercial banks operated as majority resorted to incorporating more technology in the operations of commercial banks. According to the findings, it was not clear whether changes in consumer behaviour influenced commercial bank's choice of strategy. However, it was revealed that commercial banks responded to Social-culture (consumer behaviour) by effective handling of complaints by digitalising the process, diversity and new ways of working and creating financial products that meet the needs of all the customers.

Generally, the study established that commercial banks in Zambia faced changes in economic trends, changes in technology and little change in Social-culture. The changes in the external environment did not just affect the operations of the commercial banks, but also influenced the choice of response strategy to use in responding to those changes. The study established that commercial banks responded to economic, technological and Social-culture changes using stability strategy, digitalisation, and effective handling of complaints using technology respectively.

6.3 Recommendations

Following is a list of recommendations based on a thorough evaluation and analysis of the research findings and targeted at different stakeholders' namely Zambian government through line ministries, commercial banks and management of commercial banks.

1. The findings revealed that although social-cultural change was not felt by the commercial banks in Zambia, but it had a great influence on the strategy of the commercial banks in other countries. Therefore, financial institutions need to pay attention to social-cultural changes in order to easily identify customer needs and design products and services based on these needs. This is evident by few positions for Chief Data Officer or Chief Digital Officer in Zambian commercial banks. Banks need to constantly scan the environment using various tools like SWOT, Research and Development and PESTEL. In addition, commercial banks need to create financial products that meet the needs of all the citizens like women centered strategies, concentric strategies and taking full advantage of digitilisation. Commercial banks can adopt these strategies for their next financial year strategic planning.
2. Based on the findings, where most commercial banks use stability strategies, it may be recommended that commercial banks in Zambia should not only concentrate on stability strategies, but also emphasize the need to use other strategies that may help commercial banks not only improve performance but survive the harsh external turbulence. Management of commercial banks should change their perception on use of other strategies in order to take advantage of what other strategies, such as expansion strategy and retrenchment strategy can offer.
3. Management of commercial banks should take advantage of advances in information and communication technology (ICT). Advances in the ICT sector that offer greater convenience and flexibility to the consumers, such as mobile and internet banking, need special attention. The use of ICT does not only improve the efficiency in the operations of the commercial banks, but also satisfies changing customer demands, attitudes and behaviours in the 21st century. Use of ICT helps commercial banks to reduce costs of providing services, thereby increasing revenue and subsequent profits. Therefore, commercial banks should continue to scan the environment in order to detect new technologies that they can take advantage of.

6.4 Directions for future research

Although the study did establish the response strategies that commercial banks are using in responding to changes in economic, technology and social-cultural, it did not look at specific

economic, technological and social-cultural factors. Therefore, further research can be conducted to investigate the response strategies of commercial banks to specific economic factors such as interest rates and inflation, introduction of 5G network as well as changing attitudes and behaviour of customers.

Furthermore, another study can be undertaken in another industry such as the telecommunication industry that may be faced with the same external environmental turbulence in Zambia.

In addition, although the study established commercial banks' response strategies to external environmental turbulence, it did not elaborate why commercial banks choose to adopt any specific response strategy, the conditions enabling or constraining each strategy, or the connections between the response strategy and business performance. Therefore, a future study can be conducted to investigate why commercial banks adopted certain specific response strategies and not the other.

6.5 Chapter Summary

This chapter presented the conclusions and recommendations based on the research findings. Since strategic management is very important in the realization of a firm's goals and objectives, it was anticipated that the study would be significant having established the response strategies that commercial banks are using in responding to changes in economic, technology and social-cultural changes in order to survive the turbulence external environment. It was concluded that commercial banks experience external environmental turbulence and in order to survive the turbulence, they respond with various response strategies.

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Appendices

Appendix 1: Questionnaire

I am a postgraduate student at University of Zambia under the Graduate School of Business (GSB) pursuing a Master's of Business Administration (MBA) in Management Strategy and here to carry out research on **“A STUDY OF THE STRATEGIC RESPONSES OF COMMERCIAL BANKS TO CHANGES IN THE EXTERNAL ENVIRONMENT IN ZAMBIA”**

I therefore request for your participation in the study by answering interview questions to enable me complete the research study. The information you provide will be used entirely for academic purposes and will be treated with ultimate confidence. Your corporation is highly appreciated.

SECTION A: RESPONDENTS PROFILE

1. Name of respondent (Optional)

.....

2. Name of Bank

.....

Please mark with a tick () in the box with the appropriate response. Mark one box only.

3. What is your gender?

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

4. What is your highest qualification?

School certificate	<input type="checkbox"/>
Tertiary certificate	<input type="checkbox"/>
Diploma/Equivalent Professional qualification	<input type="checkbox"/>
Degree/Equivalent Professional qualification	<input type="checkbox"/>
Postgraduate	<input type="checkbox"/>

5. What is your ranking?

Middle management	
Top Management	
Lower level	

6. What is your designation?

.....

7. Number of years working in Bank

SECTION B: Response Strategies to economic forces

8. Do you view the degree of change in the economic environment as being high in the banking industry in Zambia in last 5 years?

Strongly agree [] Agree [] Uncertain [] Disagree [] Strongly Disagree []

9. To what extent has economic forces in the external environment influenced the operations of your bank?

Very great extent [] To a great extent [] To some extent [] Very little [] Not at all []

10. Changes in economic forces impacted choice of response strategy.

Strongly agree [] Agree [] Uncertain [] Disagree [] Strongly Disagree []

11. To what extent has the following strategies being used to respond to changes in the economic environment of commercial banks?

Response Strategies to economic changes	Not at all	Very little	To some extent	To a great extent	Very great extent
Retrenchment of employees					
Expansion into new markets					
Stability					

Ambidextrous					
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SECTION C: Response Strategies to Technological Forces

12. Do you view the degree of change in the technological environment as being high in the banking industry in Zambia in last 5 years?

Strongly agree [] Agree [] Uncertain [] Disagree [] Strongly Disagree []

13. To what extent has technology forces in the external environment influenced the operations of your bank?

Very great extent [] To a great extent [] To some extent [] Very little [] Not at all []

14. Changes in technological forces impacted choice of response strategy.

Strongly agree [] Agree [] Uncertain [] Disagree [] Strongly Disagree []

15. To what extent has the following strategies being used to respond to changes in the technological environment of commercial banks?

Response Strategies to technological forces						
	Not at all	Very little	To some extent	To a great extent	Very great extent	great
Digitalization						
Integrated IT systems in banks (i.e. upgrading existing and installation of new gadgets)						
Internet and Mobile banking						

SECTION D: Response Strategies to Social-cultural forces

12. Do you view the degree of change in the social-cultural environment as being high in the banking industry in Zambia in last 5 years?

Strongly agree [] Agree [] Uncertain [] Disagree [] Strongly Disagree []

13. To what extent has social-cultural forces in the external environment influenced the operations of your bank in the last five years?

Very great extent [] To a great extent [] To some extent [] Very little [] Not at all []

14. Changes in Social-cultural forces impacted choice of response strategy for the commercial bank.

Strongly agree [] Agree [] Uncertain [] Disagree [] Strongly Disagree []

15. To what extent has the following strategies being used to respond to changes in the social-cultural environment of commercial banks?

Response Strategies to social-cultural changes	Not at all	Very little	To some extent	To a great extent	Very great extent
Timely service delivery					
Effective handling of complaints					
Diversity and new ways of working					
Create financial products that meet the needs of all the customers					