BINDURA UNIVERSITY OF SCIENCE EDUCATION

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IMPACT OF DISRUPTIVE INNOVATIONS ON ORGANIZATIONAL PERFORMANCE: A CASE OF CBZ BINDURA BRANCH

By

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A dissertation submitted to Bindura University of Science Education (BUSE) in partial fulfilment of the requirements for the Masters in Business Leadership (MBL) Degree Qualification.

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DECLARATION OF AUTHORSHIP

I affirm that this research venture is my innovative work and has not been imitated or removed from previous source without due salutation of the source.

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Name of Student                                    Signature                                    Date
DEDICATION

To my beloved husband, Archbold Dzobo, my daughter Nokutenda, my son Mukudzei, my late mother and my sisters Sandra and Benedicta.
ACKNOWLEDGEMENTS

I have fought the good fight, I have finished the course and I have kept the faith. 2 Timothy 4:7

Firstly I would like to thank the Most High God for guiding and protecting me to this point. Special thanks goes to my Supervisor Dr J. Mwenje for assisting me during the research. I greatly thank her for her unwavering effort, guidance and patience throughout this research. Success always comes as a result of notable advice and support from unsung people. Your guidance was my pillar of strength during the course of the whole project. Many thanks also go to BUSE, Graduate School of Business Chairperson and the Lecturers for guiding me academically from the time I joined BUSE up to now. Finally, my heartfelt gratitude goes to my husband, family, friends and relatives who provided the much needed love and support. Your love is the greatest.
The study examined the impact of disruptive innovations on organizational performance of CBZ Bindura Branch. CBZ Bindura bank has for the past five years experienced unprecedented decline in its organizational performance as measured by its sales volume, market share and profitability. Just like all commercial banks in Zimbabwe, CBZ Bank has been largely affected by disruptive innovations. Since people are accustomed to using digital applications in all areas of their life, they expect the same applications to work quickly, efficiently and seamlessly in their access to financial services. This has forced the bank to adopt new technology in virtually all the financial services it offers. Many digital market entrants are more relevant to the end-consumer hence serving them in a more convenient way. In Zimbabwe for instance, companies such as Econet NetOne and Telecel are providing financial services that have thus far created new business model opportunities in the financial service industry. The research objectives of the study were; to identify forms of disruptive innovations in the banking industry, determining the impact of disruptive innovations on profitability of CBZ, establishing the effect of disruptive innovations on market share of CBZ and to assess the nexus between disruptive innovations and sales volume at CBZ. The research used explanatory research design. Data collection was done through use of questionnaires and interviews; a sample size of 40 (n=40) respondents was used obtained by convenience sampling and census. Data was analyzed using descriptive and inferential statistics using SPSS (version 21.0) and thematic analysis. The study findings indicated that the major forms of disruptive innovations being faced in the banking sector are online and mobile banking services such as Ecocash, Telecash and Onewallet, Money transfer agents such as Western Union, MoneyGram and Mukuru and new forms of payment systems such as MasterCard, Visa and Global Technology Partners (GTP). The relationship between disruptive innovations and market share was statistically significant \((p=0.01<0.05)\) and the relationship was negative and very strong. The study results indicated that there was a strong negative relationship between disruptive innovations and profitability. It indicated that disruptive innovations have caused a variation on profitability. The research outcome indicated that there was a very strong negative relationship between disruptive innovations and sales volume, the relationship was statistically significant \((p=0.00<0.05)\). The study recommended that traditional full-service banks must shift their operating philosophy from being a product-oriented organization to being a customer-centric organization with the ability to engage with customers anywhere, anytime, by integrating 21st century technology in order to
enhance their competitiveness in the face of disruptive innovations and CBZ needs to respond to the customer-centric capabilities of the digital players who can leverage big data and analytics to build a better customer experience. With inertia being the main reason current bank customers do not switch, traditional banks need to quickly mimic the new digital banking leaders.
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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter discusses the background of the study, statement of the problem, purpose of the study. It also covers objectives, statement of problem, research hypotheses, assumptions, significance of the study, delimitations, and limitations, importance of the study, definition of key terms and summary of the study.

1.1 Background of the study

Globally, the banking sector is changing rapidly, as a result of both internal and external forces that are reshaping the marketplace with a speed not seen before. According to Geng, Abhishek, and Li (2015) new technologies are fundamentally changing the entire economy and in particular the banking and financial services sectors, creating new opportunities and potential pitfalls. Areas such as mobile bank, social networking, big data, and cloud computing are advancing quickly and disrupting the entire industry. The consumer’s perception of banking has changed significantly, and now includes distrust and even outright hostility (Ongore and Kusa, 2013). Today, the Internet has offered a complete overhaul of how individuals and co-operations access financial services (McFall, 2015). Therefore, globalization, coupled with technological advances have seen the financial industry face increased competition which has led to the need to come up with different approaches to the way financial services are offered. Worldwide the banking sector has suffered from disruptive innovations (McQuivey, 2013).

According to Hang and Yu (2010), Christensen describes disruptive innovation as a process through which a product or service flourishes at the bottom level of a relatively mature market and then relentlessly moves up the market levels displacing established competitors in the process. This means that a whole new market and value network is created that ends up disrupting an existing market and value network along with established leading firms and alliances (Hirt and Willmott, 2014). Disruptive innovations are produced by entrepreneurs and outsiders who are not part of existing market-leading companies (Corsi, and Di Minin, 2014). This is because more often
than not, the existing business environment does not allow these established markets to pursue these innovations as they first arrive more so because they are not highly profitable at their debut. Moreover, their development requires investment that may end up taking scarce resources away from sustaining innovations (Kreitstshttein, 2017). Christensen also points out that the risk associated with investing in a disruptive innovation is higher than other evolutionary forms of innovation and that the whole process of developing it takes longer too (Corsi and Di Minin, 2014).

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes namely financial performance (profits, return on assets, return on investment, etc.), product market performance (sales, market share, etc.) and shareholder return (total shareholder return, economic value added, etc.). Sia, Soh and Weill (2016) posit that disruptive innovation has a significant influence on organization performance. Disruptive innovations initially have a lower performance in the traditionally most important performance criterion (such as functionality, speed, or size). Even though, in most cases, disruptive innovations are less complex from a technological viewpoint, they are usually brought to the markets successfully by new entrants (Walker, 2014). Studies reveal that disruptive innovation have the potential to account for more than half of new inflow revenue in banks and other financial institutions (Weill and Werner, 2015). Bank products such as savings and term deposits, as well as services to small and midsize enterprises, are expected to double the new inflow of revenue by integrating them in various digital platforms. However, disruptive innovation poses a great danger to this realization.

As its slogan goes, CBZ Bindura Branch is a commercial bank that provides wholesale, retail, investment and transactional financial services to governments, other financial institutions, multinationals, local companies, SME’s and individuals. Today, the bank continues to shed light on its vision, which is to provide world-class customer service by embracing technology to offer convenient, accessible and reliable banking services. To achieve this, the bank has embraced strategic alliances with leading international players such as MasterCard, Visa, Global Technology Partners (GTP) to facilitate payment solutions, Western Union, MoneyGram, Mukuru to facilitate money transfer and Econet , Net One and Telecel to offer mobile banking services. All these have been aimed at combating disruptive innovations, a threat that faces all modern banks today. The
bank has had to keep up with rapidly changing technology that has resulted to the rise of alternative financial service providers such as Ecocash, Telecash and OneWallet. It is against this background that the study expounds on the influence of disruptive innovations on organizational performance of CBZ Bindura Branch.

1.2 Statement of the problem

CBZ Bindura bank has for the past five years experienced unprecedented decline in its organizational performance as measured by its sales volume, market share and profitability. Just like all commercial banks in Zimbabwe, the performance of CBZ Bank, Bindura Branch has been negatively affected by disruptive innovations. Since people are accustomed to using digital applications in all areas of their life, they expect the same applications to work quickly, efficiently and seamlessly in their access to financial services. This has forced the bank to adopt new technology in virtually all the financial services it offers. Many digital market entrants are more relevant to the end-consumer hence serving them in a more convenient way. In Zimbabwe for instance, companies such as Econet NetOne and Telecel are providing financial services that have thus far created new business model opportunities in the financial service industry. It is against this background that the study is motivated to explore the influence of disruptive innovations on organizational performance of CBZ Bindura Branch.

1.3 Aim of the study

The study sought to explore the impact of disruptive innovations on organizational performance of CBZ Bindura Branch.

1.4 Objectives of the study

- To identify forms of disruptive innovations in the banking industry
- To determine the impact of disruptive innovations on profitability of CBZ
- To establish the effect of disruptive innovations on market share of CBZ
- To assess the nexus between disruptive innovations and sales volume at CBZ

1.5 Research hypotheses

\( H_0 \): There is no significant relationship between disruptive innovations and profitability at CBZ.
$H_1$: There is a statistically significant relationship between disruptive innovations and profitability at CBZ

1.6 Assumptions

It is assumed that:

- Disruptive innovations have influence on organizational performance of CBZ Bindura Branch.
- CBZ Bindura Branch is not about to be liquidated
- The sample taken will be a true representative of the population under study
- The response rate on the questionnaires is going to be so significant that the researcher would obtain complete, accurate and relevant data and thus draw valuable conclusions.

1.7 Significance of the Study

To CBZ

The management team will use the findings of the study as a base to review their organizational performance of their business. The current rate of rapid advancement in technology means that more avenues for digital banking platforms are going to be exploited. Moreover, more consumers are looking towards a rather seamless financial service that is not only convenient but also accessible. This study therefore necessitated the need to understand the threat posed by disruptive innovations. Management in the banking industry will be informed on how to be able to monitor trends in the industry as advised by the results from this study. Moreover, the study also intended to suggest ways through which the banking industry can implement key strategies that would help mitigate the threat of disruptive innovations. This was done by providing the ingredients that facilitated a stable financial environment that not only allowed banks to flourish but also allowed for a peaceful co-existence with alternate financial service providers. This information would be useful in formulating long lasting strategies by owners and shareholders of banks in Zimbabwe.

To the researcher
The researcher will broaden her understanding of the nexus between disruptive innovations and organisational performance in the banking industry. It will also enable the researcher’s to gain research skills, and experience to conduct research in the future and to combine academic theories with practical procedures.

To the university (Bindura University of Science Education)

The findings will contribute to new body of knowledge and shall also pave way for future researches to other students.

1.8 Delimitations of the study

The study focused on the impact of disruptive innovations on organizational performance of CBZ Bindura Branch. The study only considered profitability, market share and sales volume as determinants of organizational performance. The study was carried out from 2017 to 2018.

1.9 Limitations

There was limited time for carrying out the research and data collection from respondents. The respondents may misinterpreted intentions of the study and became reluctant to reveal vital information for the research. To address the limitation, the researcher assured privacy of participants and confidentiality of their information by including a non-disclosure clause on the cover letter.

1.10 Definition of terms

**Disruptive innovations**: a process by which a product or service takes root initially at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors

**Organizational performance**: it is the actual output or results of an organization as measured against its intended outputs (or goals and objectives)

**Online banking**: an electronic payment system that allows consumers of financial services to access their financial institutions through the financial institution’s website

**Mobile banking**: A service provided by a financial institution/ a financial service provider, allowing consumers to perform financial transactions remotely via mobile phones
1.11 Organisation of the study

This study is presented in five chapters. Chapter 1 is the introduction to the research, Chapter 2 (Literature Review) reviews the literature related to the impact of prepaid electricity meters on financial performance. The reviewed literature was used in the critical analysis of the study findings. Chapter 3 (Methodology) presented the methodology on how the study was conducted. Chapter 4 (Results and Discussion) presented the study findings and discussion of the study findings. Chapter 5 outlined the conclusions and recommendations of the study derived directly from the research findings. Furthermore, the chapter presents the suggested area of further research.

1.12 Summary

The chapter highlighted the background to the study, statement of the problem, research objectives, and research questions, assumption of the research, significance of the study and definition of terms. Delimitations and limitations of the study were also discussed. The following chapter will focus on work already done by other researchers on the subject of disruptive innovations.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The aim of this chapter is to provide a critical theoretical framework and a literature review in order to give clarity and focus to the research problem. The literature review is focused on the impact of disruptive innovations on the performance of banks in Bindura Zimbabwe. The chapter
will highlight the conceptual framework adopted for the study, identify relevant theories for supporting the study and indicate the research gap.

2.1 Theoretical Literature Review

This study is reinforced by three theories of innovations. The theories include disruptive innovation theory, innovator's dilemma theory and innovator's solution theory.

2.1.1 Disruptive Innovation Theory

Disruptive innovation theory was hypothesized by Christensen in 1997. He suggested that in a quickly changing and uncertain world, innovation is the key to competitive advantage. Yet innovation also increases uncertainty and market pressure (Lettice, 2006). The more radical the innovation, the more difficult it is to estimate its market acceptance and potential. The increasing complexity and market dynamics create a substantial knowledge gap between theory and practice. Many companies are not organized to give new ideas a chance, to recognize trend breaking points in the market, to adapt quickly to changing market circumstances, or to cause market changes in the first place (Markides, 2009).

Disruptive innovations change the game. They attack an existing business, and offer great opportunities for new profit growth. Only radical innovations lead to growth (Hamel, 2009). Lettice and Thomond (2006) define disruptive innovation as: A successfully exploited product, service or business model that significantly transforms the demand and needs of an existing market and disrupts its former key players. A radical innovation is a product, process or service with either unprecedented performance features or familiar features that offer significant improvements in performance or cost that transform existing markets or create new ones.

Breakthrough innovations are based on inventions that serve as a source of many subsequent inventions (Ahuja, 2010). Ambiguous, extremely turbulent and uncertain times, combined with a long development time, make breakthrough innovations a highly risky matter. Disruptive innovation frequently results from a combination of the emergent qualities of several smaller ideas based on observing the world differently, challenging presuppositions, expanding boundaries, spotting the “white space”, discovering the as yet unrealized needs of customers, setting challenging targets, thinking the unthinkable and challenging our underlying mental models (Coulson, 2011).
Innovation patterns appear as fractals, with small decision cycles imbedded in larger decision cycles (Leonard, 2008), in which the basic development steps identify; develop; plan; implement are the guiding principle. Within this basic outline, the process of disruptive innovation is a rhythm of searching and selecting, exploring and experimenting, of learning and unlearning, and cycles of divergent and convergent thinking. It is a complex and interactive process of probing and learning or feedback. Contrary to linear, incremental innovation processes, such as the stage-gate concepts (Cooper, 2008), disruptive innovation is more like a spiral or circular development process of continuous fast feed-forward and feed-back loops.

This disruptive innovation development process is an interdependent system, based on the concepts of system thinking and of dynamic strategic thinking with learning as a central aspect (Brown, 2009). This process is affected by exogenous determinants such as economic, social and political factors, competition and infrastructure, and endogenous determinants such as resources, corporate structure and corporate culture.

2.1.2 Innovator's Solution Theory

Christensen and Raynor's theory of the innovator's solution is a brilliant analysis of why companies fail to innovate. It explains convincingly why corporate managements don't learn about good ideas, and why managers succumb to inherent pressures to run away from the challenge of disruptive competition rather than stand and fight. The decisions made as a result of these pressures make sense in the short run to the individuals involved, but in due course they send the organization into an inexorable death spiral (Anthony, 2008). But while their analysis of the causes of failure to undertake disruptive innovation is effective, their project for solving the dilemma of disruptive innovation is less helpful. The central premise of their thesis the innovator's solution is to accept the grim reality that big companies are inherently and constitutionally disinclined to tackle disruptive innovation. A modern organization will crush disruptive new ideas, because they represent a threat to management, to careers, to power structures, to customary ways of things, to client bases, to brands, to corporate culture. The authors’ solution is to protect genuine innovators and their disruptive change ideas from these hostile forces.

According to Christensen and Raynor (2008) corporate leaders should put up a wall between the innovation and the existing hierarchy. Leadership should create an independent business unit,
which will provide a safe and protected environment for innovation. There the innovation can flourish without having to fight off the interferences and intrusions and anti-innovation attitudes of the hierarchy. Allowing a different culture to flourish in a separate organization eventually leads to repeated power struggles and culture clashes, which members of the mainstream organization invariably win. Interest in the new ventures tends to be cyclical. Brief surges of enthusiasm, triggered by abundant resources and the desire to diversify, are followed by sharp declines. The life spans of both internal venture units and corporate venture capital funds, therefore, tend to be short on average, only four to five years.

Christensen and Raynor's innovator's solution theory rests on the hope that if one can build enough commercial success in the marketplace, he/she has a better chance of eventually winning that battle of persuasion. Surely, their argument goes, the hard numbers will win the war. Unfortunately the track record shows that even with strong commercial success, numbers and reason are not enough to dislodge the forces of stasis and inertia.

2.1.3 Model to describe disruptive technologies

Below is a model presenting a relevant description and providing insight into the concept of disruptive technologies used by Walsh and Kirchhoff (2000:321):
The model graphically shows the difference between disruptive technology and sustaining technology (Walsh and Kirchhoff, 2000:323). Disruptive technology has the characteristic to potentially discontinue technologies currently used in a firm. The original idea or concept leading to disruptive technology may either rise from the information technology used for the core competencies within a firm or from exogenous input. If the market realises the potential of disruptive technology, the market may pull a product on the market with the effect of simply replacing or providing a substitute for current in-use technology. The difference between disruptive technology and sustaining technology is that disruptive technology can have result in destroying or replacing sustaining technology. Sustaining technology, on the other hand, will be enhanced with a version upgrade as a result of new or major improvement of the system functionalities.

Characteristically, evolutionary or sustaining technology has the characteristic to continue as the current in-use technology used by the firm. If sustaining technology pushes a product into the market it is basically the existing technology with new features that will provide a new and major improvement based on the request by the users or the firm. From the model it can be derived that disruptive technology differs from sustaining technology in the sense that disruptive technology is a new creative technology, which replaces or has the effect of discontinuing current technology and making the current technology redundant, therefore, destroying the current technology. Sustaining technology entails development of current technologies but on a continuous basis. The result of innovation in terms of sustaining technologies is that the current technologies are enhanced of upgraded with new or major improvements.
2.2 Conceptual Framework

The conceptual framework for the study is depicted by figure 2.1 below. Conceptualization attempts to visualize the causality of the research problem prior to understand this research in detail. In this research it is planned to explain the impact of disruptive innovations on the performance of banks in Bindura Zimbabwe.

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<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
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<td><strong>Disruptive Innovations</strong></td>
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<td>Online and mobile banking (Ecocash, Telecash &amp; Onewallet)</td>
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<td>Money transfer agents (Western Union, MoneyGram and Mukuru)</td>
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<td>MasterCard, Visa, Global Technology Partners (GTP)</td>
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<td>Peer-to-Peer payments, Digital currencies (Bitcoins)</td>
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<td>Decrease in Performance of banks</td>
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Figure 2.2 Conceptual Framework adopted from Zheng, Knight and Harland (2007)

2.3 Forms of disruptive innovations in the banking

The banking sector is changing, and changing rapidly, as a result of both internal and external forces that are reshaping the marketplace with a speed not seen before (Chauhan and Choudhary, 2015). According to Weill and Werner (2015), disruptive innovations is taking place in the financial services industry, with a host of non-bank innovators offering both customer facing and back office financial technology products and services. This transformation includes emerging market economies, and in many places offers a viable digital alternative to traditional banks, which
have left significant populations under banked (Walker, 2014). The digital transformation that has upended industries from retail and media to transport and business-to-business commerce is now sweeping the financial services industry (Ancora, 2016). This was inevitable, as ubiquitous computing power, pervasive connectivity, mass data storage, and advanced analytical tools can easily and efficiently be applied to financial services (Geng, Abhishek and Li, 2015). After all, money was already extensively (though not exclusively) created, used, stored, processed, and delivered electronically. Kumar, Charles and Mishra (2016) revealed that immediacy and personalization have become the norm for consumer goods and services. Consumers have rapidly become accustomed to making purchases with a touch of their finger wherever they may be, receiving tailored recommendations, choosing customized products, and enjoying delivery of almost any item directly to their front door (Corbet and Gurdgiev, 2017). At the same time, new technologies are fundamentally changing the entire economy and in particular the banking and financial services sectors, creating new opportunities and potential pitfalls. Areas such as mobile banking, social networking, big data, and cloud computing are advancing quickly and disrupting the entire industry (Schmidt and Cohen, 2010). For example, where mobile banking may present an opportunity to reconnect with the consumer, developments such as Peer-2-Peer financing and mobile payments are driving consumers into the hands of agile new start-ups whose business model is to push the banks to think differently.

Technology has transformed business-to-business and within-business interactions, too, enabling reconfiguration of design, production, marketing, delivery, and service functions through distributed supply chains, freelance design, outsourced manufacturing, and contract warehousing and delivery (Sultan and van de Bunt-Kokhuis, 2012). These reconfigurations are mediated by online marketplaces and distributors, and assisted by back-end support operations and data analysis that together drive better risk assessment, faster fulfillment and more efficient customer service. The same types of disruptive market innovations and reconstituted value chains are now emerging in the financial services industry particularly in the banking sector. This poses distinct challenges for incumbent providers such as banks, finance companies, microfinance institutions, and insurance companies, as financial technology or FinTech innovators enter their markets (Tafti, 2011). Arnold and Jeffery (2016) posits that commercial banks are still internalizing almost all aspects of channels, product design, and operations as well as a fair amount of private infrastructure (with call centers being an occasional exception, though many such operations were
offshored rather than outsourced). New financial technology entrants can optimize a single link of the financial services value chain to provide a bank-beating solution that can connect to the rest of the financial ecosystem. That might mean delivering services directly to users’ mobile devices instead of using bank branches, dispensing with proprietary communication lines by using encrypted Internet transmissions, or avoiding the cost of data centers by utilizing cloud computing (Yu and Hang, 2010).

According to Corsi and Di Minin (2014), nowadays there are financial technology innovators that are offering point solutions in product areas such as payments, remittances, savings and investments, personal financial management, trade and invoice finance, small and medium-sized enterprises (SMEs), lending, and insurance. Bloomfield (2016) postulate that in developed nations, innovations are also directed at processes such as Anti-Money Laundering-Know Your Customer (AML-KYC) compliance, credit scoring, underwriting and risk management, customer service, collections and recovery, capital markets activities, asset securitization, middle- and back-office reporting, trade processing, and connectivity between banking systems. Furthermore Gans (2016) indicated that, technologies with radically transformative potential include digital identities and currencies, distributed ledgers, big data, artificial intelligence, and machine learning. These are already being incorporated into specific products and solutions in familiar institutions, but may in time fundamentally transform financial intermediation and appeared as disruptive innovations in the banking industry. Consumers’ new expectations apply to financial services as well (McQuivey, 2013).

According to McFall (2015), peer-to-peer payments and digital currencies such as Bitcoin has taken the financial industry by a storm as forms of disruptive innovations. Peer-to-peer transactions (also referred to as person-to-person transactions, P2P transactions, or P2P payments) are electronic money transfers made from one person to another through an intermediary, typically referred to as a P2P payment application (Alinejadi, Arbab and Mehrabi, 2013). P2P payments can be sent and received via mobile device or any home computer with access to the Internet, offering a convenient alternative to traditional payment methods (Kreitshtshtein, 2017). However, an interesting dimension is the character of modern-day economic settings where businesses experience the emergence of virtual value chains in which they operate in two distinct realms, namely, the physical realm or marketplace, and the virtual realm composed of the marketspace or
e-commerce. Information plays a central role in the marketspace as opposed to the marketplace. With the advent of e-commerce and m-commerce, an emerging locus of value creation has also creeped into the Zimbabwean economy (Aker and Mbiti, 2010). It manifests itself in the form of the use of customer databases, online accounts and mobile banking platforms like CBZ Touch, ZB E-Wallet, EcoCash and plastic money or e-payment systems like ZimSwitch, among others. The major forms of disruptive innovations that are being experienced in the banking sector in Zimbabwe are mobile banking (Ecocash, telecash and Onewallet), money transfer agents (Western Union, MoneyGram and Mukuru) and forms of payment systems such as MasterCard, Visa, Global Technology and Partners (GTP). Zimbabwe recently witnessed the rise of mobile money and digital payment solutions which have increasingly been embraced across the world (Kabweza, 2012). Banks tussled for the bottom of the pyramid following the introduction of mobile money. The previously shunned market could now have money in the wallet, thanks to the simplicity in the know-your-customer process by mobile operators (Yu, 2015). In one swoop, banks were left clutching at straws as mobile money spread its tentacles. According to Kanyenze, Kondo, Chitambira, and Martens (2011), statistics show that mobile payments in Zimbabwe constituted the bulk of transactions in 2015, accounting for 87.9% of transaction volumes. Disruptive innovations have swept across all sectors of the economy, leaving behind casualties the slow learners and those resistant to change.

2.4 Impact of disruptive innovations on profitability in the banking sector

According to Honohan (2014) some financial technology innovators aim to operate separately from and compete directly with banks resulting in negative impact on the profitability of the banks. Others offer solutions to banks. Virtually all of them need to connect to other financial services and to existing infrastructure (for funds transfers, for example). Gardeva and Rhyne, (2011) argues that whether the banks, want to or not, will be dragged into this age of reconfiguration by market forces and, in some cases, by government interoperability mandates. Where unitary proprietary bank systems once precluded connection to external solutions, interoperability that will help disruptive innovators to carve off profitable slices of banks’ businesses is now mandated in some jurisdictions, notably the European Union (Luarn and Hsin-Hui, 2015). Gonzalez-Vega (2013) averred that, the digital transformation of financial or banking services is likely to result in more competition, with significant portions of banks’ products and profitability at risk. On the other side
Lee (2013) argues that barriers to entry may have risen in terms of core bank compliance costs, but regulators’ willingness to countenance non-bank competitors in product areas traditionally dominated by banks has increased, and the economics of banking have shifted. As pointed out by Hanohan and King, (2012) cloud infrastructure and mobile channels mean that the provision of financial services no longer requires high fixed-cost mainframe data centers and branch networks, so costs are more variable. While there may be consolidation in certain lines of business that have very large scale or network economies, at the same time it is increasingly easy for niche providers to offer tailored solutions to a particular market and be profitable with a much smaller asset base. Disruptive innovators have taken market share in high margin slices of banking such as remittances and asset management, and technology-enabled challenger banks have emerged as serious contenders in a number of markets (Ismail and Masinge, 2011). As the banking industry becomes increasingly contestable, decomposable, and reconfigurable, the capacity to innovate will be a key success factor (Garrie and Griver, 2014). Laursen, K., Salter, A., 2006) posits that, banks that learn to adopt new technologies, adapt their products and processes, and become more adept at delivering tailored solutions to their customers will succeed. Given banks’ preoccupation with the global financial crisis and regulatory requirements, non-bank innovators have been leading, or have acted as catalysts for, the digital transformation of financial services and these disruptive innovators have impacted negatively the net returns of the banks (Mbiti and Weil, 2011).

Almost every financial services provider, from banks to credit unions, now has Internet and mobile channels, and many are adopting new technologies across products and processes as well in order to be competitive and enhancing their profitability. Safeena, Kammani and Date (2017) revealed the positive side of disruptive innovations to banks in that it can help banks deliver enhanced risk assessment, reduce transaction costs, make operational back offices more efficient, lower fixed asset investment requirements, and enter new markets. At the same time, banks can also help disruptive innovators address their target markets. While sharing customers is difficult, collaboration has been increasing (Gassmann, Enkel and Chesbrough, 2010). According to Klein and Mayer (2011), disruptive innovators have come to realize that most will not reach scale without leveraging the customer base and capital that banks have already accumulated, while banks now acknowledge that internal product innovation processes do not always meet customer expectations in terms of time to market or quality. Both can benefit from partnerships that reconfigure financial services value chains.
2.5 Nexus between disruptive innovations and sales volume at CBZ

Disruptive innovations have negative influence on sales volume in the banking sector. Innovation is broadly recognized as a key driver for business prosperity, growth, profitability, competitiveness, and a solid long term future. While sustaining technologies result in retarding change in market dynamics, disruptive technologies tend to drive change faster as well as pushing forward the demise of existing sustaining technologies together with their value chains (Kabweza, 2012). Disruptive technologies also have a reputation for causing the collapse of markets and industries that are founded upon sustaining technologies (Rohan and Saluja, 2012). In Zimbabwe, for instance, disruptive technologies are fast registering their footprints, threatening some value chains in the process. One can quickly think of social media, 4G and LTE (Long-Term Evolution) technologies as some of the notable disruptive technologies which will impact on the way business is going to be done in Zimbabwe. In the financial sector, mobile money platforms and plastic money payment systems have already transformed the way of transacting business in the country (Ifeonu and Ward, 2016). Pruteanu-Podpiera, Weill and Schobert (2016) posits that disruptive innovations have impacted the banking industry as a competitive force and culminated in reduction in sales volumes. Today, innovation is recognized as key for long term growth and survival in every sector of the economy. For banking, it is the only way to not only survive but thrive on the disruptive changes taking place in the sector today.

Disruptive innovation results in improved competitive products and services rolled out; a firm’s market share might improve also, thereby enhancing sales volumes (Afzal, 2017). The disruptive innovation theory (Christensen, 1997) posits that a new market and value proposition is the result of product innovation; as such a firm deploying a disruptive product innovation shall enjoy improved profitability. Organizations that use offensive strategies in introduction of new products have a very high probability of succeeding in introducing new products and in turn achieve high levels of profitability (Jun and Cai, 2011). According to Kottasz and Bennett (2016), technology has introduced a paradigm shift globally in the functioning of banks and delivery of banking services beyond debate. A recent survey commissioned by the United Nations on the banking sector further attests to this and must serve as a wake-up call to local banks in terms of how they do business in the wake of disruptive innovations as they suffer from decline in sales volume (Corbet and Gurdgiev, 2017). Arnold and Jeffery (2016) revealed that with the increased use of
services like mobile deposit, there has been a 50 percent increase in the number of customers indicating they are using mobile banking in 2013 (32%) than in 2012 (21%) in Zimbabwe, thus indicating the effect of disruptive innovations on the sales volume in the banking sector. Kumar, Charles and Mishra (2016), averred that disruptive innovations services have become a challenge for all financial institutions for as long as they wish to remain relevant in the market place. The wheels of disruptive innovation have never stopped turning and are now spinning even faster than before, as disruptive innovators are continuously remodeling their products and services and delivery channels to meet the ever growing demands of the banking public (Walker, 2014). Weill and Werner (2015) opined that innovation has also been a consequence of growing competition within the sphere of banking and as disruptive innovations happened from other industries such as retail shops and mobile telephony companies, banks have had to innovate at a greater pace or suffer.

2.6 Impact of disruptive innovations on market share

Disruptive technology allows the user quick entry into the market place. For firms that are willing to take the risk, disruptive technologies promise opportunities for early and strong entry into existing and new markets (Walsh and Kirchhoff, 2010:319). McGinn, (2001:13) posits that disruptive technologies provide a growth opportunity to companies that recognize the opportunities offered (Drexelius and Herzig, 2011). Arnold and Jeffery (2016) postulate that disruptive innovations have a negative influence of the market share of the incumbents in the banking sector. Product innovation can actually improve an organizations performance in numerous ways. Innovation has a significant impact on an organizations performance in the sense that it improves its market position hence giving the organization competitive advantage and as a result superior performance (Walker, 2014). There is a positive relationship between innovation and profitability, size, market share and growth rate (Deshpande et al., 2013). Baldwin and Johnson (2016) hold that product disruptive innovations significantly affect a broad range of an organization’s performance measures which are the market share gain and return on investment. In this time of rapid change, innovation is key to ensure leading companies retain their leadership positions, by recognizing and meeting the needs of their customers in a timely manner (Sultan and van de Bunt-Kokhuis, 2012).
Corsi and Di Minin (2014) argues that disruptive innovators in the banking sector provide flexibility, which is a primary source of competitive advantage and affect the market share of the traditional firms. In the highly competitive banking sector, any service or feature that helps a bank differentiate it from the pack can lead to increased market share, a larger deposit base, and an edge on the competition (McQuivey, 2013). Disruptive technologies provide an alternative to sustaining technologies. Disruptive innovators who are creating new ideas have to rely on sustaining technologies to manufacture or produce their products (Kreitshtshtein, 2017). Disruptive technology provides new capabilities in a shorter development period that support the innovator’s ideas and help to improve market share (Kabweza, 2012). Embedded technologies may allow the use of disruptive technology, improving the response time of the system that ensures reliability and provides determinism (Kulkarni, 2016:32). The literature indicates that small firms play a significant role in the commercialization of disruptive technology and destroying the market share of traditional incumbents (McQuivey, 2013). When small firms acquire disruptive technology the aim is usually to support creative innovation, which will secure profitability for fast financial growth for the business (Kassicieh et al., 2001:667). Disruptive technology enables businesses to implement technology on reduced costs and gain the competitive edge.

2.7 Empirical Evidence

Ngugi (2010) did a study on the influence of disruptive innovations on the growth of SMEs in Kenya. The study targeted 4560 SMEs in Nairobi County who are registered by Ministry of Industrialization and Ministry of Trade. Regression models were used to examine the influence of innovativeness skills on growth of SMEs in Kenya. Questionnaires were used as the main data collection. Descriptive statistics and inferential data analysis method was to analyze the gathered data. The findings indicated that disruptive innovations negatively influence the growth of SMEs in Kenya. The tendency of to engage in and support new ideas, novelty, experimentation and creative processes results in new products, which customers may favor but however the cost of these research and developments is liquidating most of the firms. Companies are finding it difficult to realise profits in such market conditions.

Kottasz and Bennett (2016) undertook a similar research study aimed at investigating the effect of disruptive innovation on financial performance of banks in New Zealand. The study used a descriptive research design and obtained primary data using questionnaires. The population
comprised 1050 firms and a sample of 200 firms was obtained using stratified random sampling. Data obtained was analyzed using descriptive statistics and regression analysis. The study finding indicated that disruptive innovations have a negative effect on profitability of banks. The study further revealed that disruptive innovations have also caused a decrease in return on Asset of major banks as most of the firms are loosing customers due to availability of substitutes such as mobile banking which offer a variety of services using one platform.

Mugo (2012) sought to investigate the effects of disruptive innovation on the growth of Micro Finance Institutions (MFIs) in Kenya. A survey was conducted targeting all the thirty four registered MFIs in Kenya. After data collection, the research data was analyzed in a correlation design using SPSS program. The research concluded that disruptive innovation by MFIs lead to an aggregate decline of firm in various dimensions like number of products, market share, loan sales and the overall profitability. Similarly Mwangi (2013) did a study on the effect of disruptive innovations on the financial performance of deposit taking microfinance institutions. The study targeted all DTMs (9) in Kenya. Data was analyzed by applying both descriptive and inferential statistics. The study concludes that disruptive innovations have negative effects on financial performance of DTMs in Kenya.

Yu and Hang (2010) conducted a study on the effect of disruptive innovation on financial performance of small and medium sized manufacturing enterprises in Hong Kong. Primary data was collected using questionnaires and descriptive research design was used to analyze the data and make conclusions. The target population was 3,582 companies and a sample of 83 firms was selected using simple random sampling. Data was analyzed using regression analysis. The study concluded that disruptive innovation has negative effects on financial performance; disruptive innovations decreases profits for a company; disruptive innovation decreases the company’s market share, it also decreases savings for the company and increases operating cost of the small and medium manufacturing enterprises.

Safeena, Kammani and Date (2017) also undertook a study with the objective to establish the effect of disruptive innovations on the performance of manufacturing companies listed at the Swedish Securities Exchange. Descriptive research design was used and secondary data from published financial statements from year 2010 to 2014 was used. The target population was 17 manufacturing companies listed at the Swedish Securities Exchange. The researcher used regression analysis and
descriptive statistics to analyze the data collected from the study. The study found out that disruptive innovations leave other firms susceptible on technology to identify opportunities that help exploit innovative products and services. This means that firms are forced to invest in research and development (RandD). The study findings show that RandD significantly put strain on the financial performances of firms especially when no planned for, hence leading to negative impacts on profitability and market share of firms.

2.8 Research Gap

Several studies have been conducted on the influence of innovation on performance of banks (Kabweza, 2012; Kreitshtshtein, 2017; Sultan and van de Bunt-Kokhuis, 2012; Schmidt and Cohen, 2010; Corbet and Gurdgiev, 2017; Ancora, 2016; Walker, 2014; Tafti, 2011; Yu and Hang, 2010). Most of these studies have been conducted in developed nations and a few in developing countries. None of these studies covered the impact of disruptive innovations on the performance of banks in Bindura Zimbabwe. This study therefore intended to fill these pertinent gaps in literature by studying the selected independent variables on the impacts of disruptive innovations on performance of firms in the banking sector. This study will add value to existing literature by providing new empirical evidence on the topic under study and fill the existing contextual and conceptual gaps.

2.9 Summary

This chapter has discussed the conceptual framework, theoretical framework and then critically analyses the literature relevant to the study of the impact of disruptive innovations on the performance of banks in Bindura Zimbabwe. The next chapter will cover the research design and methodology.
CHAPTER III

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

The Chapter presented the pertinent issues in the collection of data; it seeks to explore the methods and techniques that were used in carrying out the research. Having reviewed the relevant literature, the chapter focused on the research plan, population samples, research tools and the procedure in which gathered data would be presented and analyzed. Collis and Hussey (2009:55) define research methodology as the ‘overall approach to the research process, from theoretical underpinning to the collection and analysis of data’.

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3.1 Research Approach

The study used mixed methods research approach. According to Gliem, and Gliem, (2013), research approach is a plan and procedure that consists of the steps of broad assumptions to detailed method of data collection, analysis and interpretation. Mixed methods research is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the purpose of breadth and depth of understanding and corroboration (Desai and Potter, 2011). Mixed method research approach assumes a worldview or several worldviews. Gliem, and Gliem, (2013) posits that mixed methods research approach has philosophical assumptions as well as methods of inquiry. As a research approach, it involves philosophical assumptions that guide the direction of the collection and analysis of data and the mixture of qualitative and quantitative approaches in many phases in the research process. As a method, it focuses on collecting, analyzing, and mixing both quantitative and qualitative data in a single study or series of studies (Desai and Potter, 2011). Its central premise is that the use of quantitative and qualitative approaches in combination provides a better understanding of research problems than either approach alone (Creswell, 2014). Mixed methods research approach provides strengths that offset the weaknesses of both quantitative and qualitative research. Mixed methods research provides more comprehensive evidence for studying a research problem than either quantitative or qualitative research alone (Creswell, 2014). Sherman et al (2011) pointed out that in mixed methods approach, researchers are given permission to use all of the tools of data collection available rather than being restricted to the types of data collection typically associated with qualitative research or quantitative research.

3.2 Research paradigm

Yeasmin and Rahman (2012:22) defined a paradigm is a “worldview” or a set of assumptions about how things work. Rossman and Rollis (2015:32) define paradigm as “shared understandings of reality”. On the other hand Neuman (2011) defines a paradigm as an all-embracing perspective regarding suitable research practice, founded on ontological and epistemological supposition. Therefore, this is a specific way of perceiving the world (a worldview) that shape how we seek answers to research questions. As Guba (1990) argued, a research paradigm is mainly characterized by its ontological, epistemological and methodological dispositions.
3.2.1 Positivism Research Paradigm

The research used positivist research paradigm related to the information gathered by closed-ended five point-Likert scale questionnaires. As a philosophy, positivism adheres to the view that only “factual” knowledge gained through observation (the senses), including measurement, is trustworthy (Kumar, 2012). In positivism studies the role of the researcher is limited to data collection and interpretation through objective approach and the research findings are usually observable and quantifiable. Positivism depends on quantifiable observations that lead themselves to statistical analysis (Desai and Potter, 2011). As positivism paradigm is most appropriate for quantitative type of research so this research considered positivism approach. The qualitative approach will be employed to complement the quantitative approach. It was adopted to provide a rigorous and thorough research as it combines the objective reality of quantitative positivists paradigms with the qualitative subjective reality of post positivism (Yeasmin and Rahman, 2012).

3.2.2 Interpretivism research paradigm

The study utilized interpretivism research paradigm in relation to the information gathered by key informant interviews. Interpretivism is based on a life-world ontology that argues all observation is both theory- and value-laden and investigation of the social world is not, and cannot be, the pursuit of a detached objective truth (Leitch, Hill and Harrison, 2010). Epistemologically, the viewpoint of the interpretivist paradigm is that our knowledge of reality is a social construction by human actors (Burrell and Morgan, 2009). The interpretive research paradigm is characterized by a need to understand the world as it is from a subjective point of view and seeks an explanation within the frame of reference of the participant rather than the objective observer of the action (Desai and Potter, 2011). At an axiological level, the interpretivist paradigm is more concerned with relevance than rigor. Interpretivism is dependent on constructivist ontology. This is explicated by Orlikowski and Baroudi (2011:14) in the following way: “Ontologically, interpretive information systems research assumes that the social world (that is, social relationships, organizations, division of labour) are not ‘given’. Rather the world is produced and reinforced by humans through action and interaction”.

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3.3 Research Design

According to Gliem, and Gliem, (2013), “a research design is a blue print with detailed information and it is used as a guide in completing the research objectives stated”. The research design becomes a master plan that gives specific methods and procedures used in gathering and analysis of the collected data. In this research, explanatory research design was used to expound on the study of the impact of disruptive innovations on organizational performance of CBZ Bindura Branch. This design was chosen because it suitably addresses the research problem as well as the objectives. A well designed research has been of critical importance in finding a solution to the research problems because it enabled the researcher to get accurate and useful information (Carson et al., 2001). Availability of accurate information enhanced reliable decisions to be made. The researcher kept this notion in mind when deciding on the best design to adopt for the purpose of this study.

3.3.1 Explanatory research design

The research used explanatory design. According to Kumar and Ranjit (2005) explanatory research also called causal research design can be conducted in order to assess impacts of specific changes on existing norms and various processes. Causal studies focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables. The study examined the impact of disruptive innovations on organizational performance of CBZ Bindura Branch. Causal studies usually offer the advantages of replication if necessity arises and are associated with greater levels of internal validity due to systematic selection of subjects (Leedy, 2011).

3.4 Target Population

Bhattacherjee (2012:67) defines a population as, “all people or items with the characteristic that one wishes to study”. Furthermore Kothari (2004:153), Neuman (2011:246) and Majumdar (2011:151) defines population as the large group of cases or universe or canvas or total of the items or units within a defined space (geographical or social) from which the researcher draws a sample about which information is desired. The study targeted employees of CBZ Bindura Branch and its clients that have been doing business with CBZ Bindura Branch for 5 years or more.

3.5 Sampling procedure
The study used convenience and purposive sampling. A census was undertaken with the entire population of the CBZ Bindura Branch employees.

### 3.5.1 Convenience sampling

The study used convenience sampling to selected clients that do business with CBZ for a period of 5 years or more. According to Kumar (2012), convenience sampling (also known as availability sampling) is a specific type of non-probability sampling method that relies on data collection from population members who are conveniently available to participate in study. On the other hand Leedy (2011) refers to convenience sampling is a type of sampling where the first available primary data source will be used for the research without additional requirements. In other words, this sampling method involves getting participants wherever you can find them and typically wherever is convenient. In convenience sampling no inclusion criteria identified prior to the selection of subjects. In its basic form, convenience sampling method can be applied by stopping random people on the street and asking questionnaire questions (Griffin, 2013). In this study the research conveniently selected clients at CBZ Bindura Branch.

### 3.5.2 Purposive Sampling

Purposive sampling was also used in the study where all the employees of CBZ where selected. Interviews were conducted the branch manager and the customer service manager and questionnaires were administered to the rest of the employees. In purposive sampling, the researcher intentionally selects individuals to learn and understand the central phenomenon (Creswell, 2007 p 206). It enables the researcher to use his or her judgement to select the sample that will best enable one to answer the research questions.

### 3.5.3 Census

The study employed census to select CBZ Bindura Branch employees. A census can provide detailed information on all or most elements in the population, thereby enabling totals for rare population groups or small geographic areas (Creswell, 2003). According to Bryman and Bell (2011), a census refers to the quantitative research method, in which all the members of the population are enumerated. The researcher opted for the census because the universe was not vast.
as the total number of respondents was 15. The major advantage of census was that it provided a true measure of the population therefore, no sampling error. A census survey collects complete information from all participants in the population.

**Table 3.1: Sample Matrix**

<table>
<thead>
<tr>
<th></th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANAGERS</td>
<td>2</td>
</tr>
<tr>
<td>CONSUMER DEPARTMENT</td>
<td>6</td>
</tr>
<tr>
<td>DIRECT BANKING DEPARTMENT</td>
<td>7</td>
</tr>
<tr>
<td>CLIENTS</td>
<td>25</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40</td>
</tr>
</tbody>
</table>

### 3.6 Research instruments

These are tools that were used for the collection of data that is relevant for finding solutions to the research problem. Creswell (2003) defines research instruments as tools or devices used to make measurement of responses. The researcher utilized five point Likert scale questionnaires and interview guide to gather primary data. The survey method provides a quantitative description of attitudes, experience and opinions of the sample population which made it appropriate for this study given that the survey method was quantitative in nature.

#### 3.6.1 Questionnaires

The primary instrument for data collection in this research was structured questionnaires. Kumar (2010) states that a questionnaire is a written list of questions, the answers to which are recorded by participants, in a questionnaire, participants read the questions, interpret what is expected and then write down the answers. Self-administered questionnaires were used to gather data because of their ability to enhance data in a short space of time. Advantages of this method is low cost ‘free from bias, respondent have adequate time to give well thought out answer, and large sample can be made. This instrument was also chosen due to the fact that it is easy to administer and also
makes it possible for much data to be collected within a short time. The questionnaires were structured in accordance with the objectives of the study. The first section collected the demographics data of the respondents, whiles the remaining sections were divided accordingly into each objective.

### 3.6.2 Interview Guide

Key informant interviews were carried out to gather data from the Bindura branch manager and the consumer service manager. Interview is a research method for data collection that involves the collection of data through the direct verbal interaction between researcher and respondents (Gliem and Gliem, 2013). Interviews are the most flexible of all methods of data collection. In this study, ‘open ended question were used during the interview. An interview is a purposefully discussion between two or more people (Kerlinger, 2006). The use of interview helped the researcher to get valid and reliable data that are relevant to the research question and objective. The study used the interviews based on the fact that interviews yield the highest response and allowed greater freedom to ask supplementary questions to the respondents.

### 3.7 Pilot study

Polit and Beck (2010), defined a pilot study as a small scale version, or trial run, done in preparation for a major study. This was backed by Kumar (2010), who stated that a pilot study is a research project that is conducted on a limited scale that allows the researcher to get a clearer idea of what they want to know and how they can best find it out without the expense and effort of a full-fledged study. The researcher piloted 2 questionnaires and based on the pilot study the questionnaires were refined by removing any questions that provided unwanted or irrelevant information.

### 3.8 Reliability and validity

Validity referred to the appropriateness and accuracy in each step in finding out what you set out (Kumar, 2012). Validity can be evidenced when the data provided reflects a true picture of what was being studied (Bethlehem and Silva, 2013). To establish the validity of the research, instruments, opinions of experts in the field of study, especially the research supervisor, was
sought. This led to the revision and modification of the research instruments thereby enhancing the overall validity of this study.

Sherman et al (2011) explained reliability as the degree of consistency with the instruments which measure an attribute. The less the variation the instrument produces in repeated measurements of an attribute the higher the reliability (Kaliappen and Hilman, 2013). Thus, the greater the reliability of an instrument the less likely the errors of measurement occurs (Bethlehem and Silvia, 2012). This study used test-re-test technique to ascertain reliability of research instruments. In this study reliability of the questionnaire was also examined through Crocbachs’ Alpha value generated by SPSS.

3.9 Data Analysis and presentation

The researcher examined the completeness of questionnaires and performed editing, coding and cleaning of the data. Data collected was analyzed using Statistical Package for Social Sciences (SPSS Version 21.0) program and Microsoft Excel for generation of reports. For descriptive analysis, the mean and standard deviation was used to determine the respondents’ agreement or otherwise with statements under each variable. Inferential statistics employed Pearson’s correlation to study the relationship between independent (disruptive innovations) and dependent variable (organizational performance). Data gathered through key informant interviews was analyzed by thematic analysis. Data was presented using tables, pie charts and bar graphs that were generated by making use of SPSS version 21.0. The choice of tables as data presentation tools was based from their ability to clearly classify different data.

3.10 Ethical Considerations

Payne and Payne (2004) believe that ethical practice is a moral stance that involves conducting research to achieve not just high professional standards of technical procedures, but also respect and perfection for the people actively consenting to be studied. In this research permission was sought from CBZ officials and from the respondents. The participants’ informed consent to participate in the research was sought; the participants were fully informed of the nature and purpose of the research, the potential of reasonably foreseeable risks, stresses, and discomforts and alternatives of participating in the research. Procedures to ensure confidentiality or anonymity of
the participant were mandatory or seen as a prerequisite. Participation in the research was on a voluntary basis, no one was coerced into taking part in the research.

3.11 Summary

This chapter discussed the research design, target population, sampling techniques and sample size, research instruments, data collection procedure and data analysis. The next chapter will cover data analysis, presentation and interpretation.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter covered data analysis, presentation and interpretations of the findings of the study. The basis of analysis was questionnaires for quantitative data and interviews for qualitative data respectively. Data was presented and analysed in the sequence of the researcher’s objectives for this research. As part of the presentation tables, pie charts and bar graphs were used present data analysed by the use of SPSS. Data was analysed using both inferential and descriptive statistics.

4.1 The Response Rate of Questionnaires

A sample size of 40 was used. Questionnaires were distributed to the acknowledged sample size for data collection.

Table 4.1: Percentage distribution of responses (n=40).

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Questionnaires administered</td>
<td>40</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----</td>
</tr>
<tr>
<td>Questionnaires returned</td>
<td>40</td>
</tr>
</tbody>
</table>

**Source: Primary Data 2017**

40 questionnaires were distributed to participants and all questionnaires were filled and returned. This represented a 100% response rate, which is quite suitable to make a finale for the study. The high response rate was attributed to the fact that the questionnaires were delivered and collected by hand and hence there was a close contact and follow-up with the respondents. According to Dixon (2012), a response rate of 50% is adequate while a response rate greater than 70% is very good. This agreed with Mugenda and Mugenda (2003), that a 50% response rate is adequate, 60% good and above 70% very good. This therefore implied the response rate of 100% is excellent.

**4.2 Demographics of respondents**

The demographics of the customers included factors like gender, age and educational qualifications. Demographics are important when analysing the responses of the respondents because they influence customer perceptions and behaviour. Perception and behaviour differs between different groups of demographics. The researcher also used demographics to note similarities and differences on aspects under analysis. Generally, demographics are important for a deep analysis of responses given by respondents using their perceptions and behaviour.
4.2.1 Gender of respondents

The results from figure 4.1 above indicated that 60% of the respondents were male and the remainders 40% were female. The gender difference was due to the fact that males dominate the working environments, hence female workers at CBZ Bindura Branch were fewer than men.
4.2.2 Age of respondents

Figure 4.2 Age of respondents

Primary source data 2017

The results presented on figure 4.2 above depicts that the majority of respondents 35% were aged between 29 to 39 years. The second highest 30% were within the age bracket of 40-50 years. 20% of the respondents were less than 29 years representing the youth and the least 15% were more than 59 years of age. This group of respondent’s was the least because normally most employees retire at 60 years of age, however of the few they represented the senior management who has been in the organization for years and had solid evidence on the topic under study. However the finding inferred that all respondents were within the economically active group hence could contribute valid information.
4.2.3 Level of Education

![Bar chart showing level of education]

Figure 4.3 Level of education

Primary source data 2017

The graph presented on figure 4.5 above indicated that the highest level of academic qualifications attained by the majority of the respondents 55% was a bachelor’s degree. The second highest had master’s degree which is 25% of the respondents , 15% were classified as others and this group had attained all the first three certificates and go a step further for PHD. The least 5% had a certificate or a diploma as their highest level of academic qualifications. Hence the results implied that majority of the respondents were educated therefore can contribute valid information pertaining to the study.
4.2.4 Period of service

The participants were asked to indicate the number of years they worked at CBZ and 10% had less than 5 years of work experience since some of them were attaches. However, table 4.2 shows that the majority of the respondents had at least five years of working at CBZ. This is shown by 90% of the participants who indicated that they had been employed by CBZ for 5 years and above. This means that the respondents were knowledgeable of the topic under study since computer innovations started to pop up a few years ago.

4.3 Reliability Statistics

Table 4.2 Instrument Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.958</td>
<td>20</td>
</tr>
</tbody>
</table>
The reliability of the measurement scale was assessed by Cronbach’s alpha coefficient. And a value of 0.958 was obtained. Cronbach’s Alpha coefficient is a popular technique for ascertaining internal reliability, the coefficient ranges from 0 to 1 with 1 being perfectly reliable, a coefficient higher than 0.7 is acceptable (Bryman and Bell, 2003, p. 77). George and Mallery (2003, p. 231) also authenticate that a Cronbach’s Alpha coefficient higher than 0.7 is acceptable and validates the internal reliability of the data, items, variables or constructs.

### 4.4 Forms of disruptive innovations in the banking industry in Zimbabwe

The research probed on forms of disruptive innovations in the banking industry in Zimbabwe using a 5 point likert scale (no extent=1; little extent =2; uncertain =3; great extent =4; very great extent= 5) and the responses were computed using mean values as shown on table 4.3.

#### Table 4.3 Forms of disruptive innovations in the banking industry

<table>
<thead>
<tr>
<th>Form of Disruptive Innovation</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online and mobile banking (Ecocash, telecash and Onewallet)</td>
<td>40</td>
<td>4.8000</td>
<td>.13333</td>
</tr>
<tr>
<td>Money transfer agents (Western Union, MoneyGram and Mukuru)</td>
<td>40</td>
<td>4.3000</td>
<td>.15275</td>
</tr>
<tr>
<td>New forms of payment systems (MasterCard, Visa, Global Technology Partners (GTP))</td>
<td>40</td>
<td>4.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Peer-to-Peer payments</td>
<td>40</td>
<td>2.6000</td>
<td>.26667</td>
</tr>
<tr>
<td>Digital currencies such as Bitcoin</td>
<td>40</td>
<td>1.1000</td>
<td>.10000</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>40</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From the findings presented on table 4.3 above, it was deduced that the major form of disruptive innovation being faced in the banking sector is the availability of online and mobile banking services such as Ecocash, telecash and Onewallet and this was ranked first with \( (\text{mean} = 4.8; \text{SD} = 0.42) \). The findings further indicated that to a greater extent Money transfer agents such as Western Union, MoneyGram and Mukuru are also some of the forms of disruptive innovation that are rampant in the banking sector and these were ranked second with mean and standard deviation values of \( (\text{mean}= 4.3; \text{SD}= 0.48) \) respectively. The study outcomes further revealed that to a great extent new forms of payment systems for instance MasterCard, Visa, Global Technology Partners (GTP) \( (\text{mean}=4.0; \text{SD}=00) \) are also some of the forms of disruptive innovations that are common in the banking industry. However the results also indicated that some forms of disruptive innovation such as Peer-to-Peer payments \( (\text{mean}=2.6; \text{SD}=0.84) \) and digital currencies such as Bitcoin \( (\text{mean}=1.1; \text{SD}=0.32) \) are not yet common in Zimbabwe banking sector. These results were also supported by the Branch manager of CBZ Bindura who was interviewed as one of the key informants. The major revealed that, the major forms of disruptive innovations that there are experiencing are online and mobile banking, money transfer agents and payment systems such as MasterCard and Visa. The manager reported that;

“……most of the changes have come courtesy of the rapid advances in the telecommunications sector, changes that have taken the world by storm…….. Ecocash, telecash and Onewallet agents are threatening our existence… both the speed and scope of change by these players add a layer of complexity to the already challenging task of developing and implementing industrial strategies that promote productivity and inclusive growth…….”

The above views were also supported by the CBZ Bindura Branch manager of the customer services department who further highlighted the dynamics in banking industry as a result of disruptive innovations when he revealed that it was in light of these breath-taking changes that the Competition and Tariff Commission (CTC) in December last year launched the National Competition Policy which seeks to enhance the protection of consumers by providing an updated legal framework to root out anti-competitive practices and conduct by businesses. Launched under the theme Re-Imagining Competition Policy and Law in the Era of Disruptions, the policy also
seeks to promote businesses to adapt to changes especially technological that could have severe disruptive effect on their industries. The customer services manager said:

“…it is no longer business as usual for the sector as new technologies were threatening the status quo in the banking sector and other industries and we have got to change the way we do things in order to survive….. Banking as we know it today is changing. Banks themselves have to adapt (to the changes) or risk becoming less relevant………”

He added that, just like any other industry, the biggest threat to traditional business models comes from new players who are able to make use of technological innovations to come into the market with new and exciting products at very low cost, but are able to pose serious competition to existing players.
The study examined the impact of disruptive innovations on profitability of CBZ. The obtained responses were computed into descriptive statistics as indicated on table 4.4

<table>
<thead>
<tr>
<th>Statistic</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers find mobile banking (Ecocash, Telecash and Onewallet) easy to use than traditional banking thereby affecting profitability of CBZ</td>
<td>40</td>
<td>4.6000</td>
<td>.16330</td>
</tr>
<tr>
<td>Money transfer agents (Western Union, MoneyGram and Mukuru) focuses on providing excellent customer service thereby affecting profitability of CBZ</td>
<td>40</td>
<td>4.4000</td>
<td>.16330</td>
</tr>
<tr>
<td>Ecocash, Telecash and Onewallet agents offer comprehensive benefits financial service package to their customers and affects profitability of CBZ</td>
<td>40</td>
<td>4.3000</td>
<td>.15275</td>
</tr>
<tr>
<td>Customers no longer visit the branches once they have been boarded on mobile banking thereby affecting profitability of CBZ</td>
<td>40</td>
<td>4.1000</td>
<td>.10000</td>
</tr>
<tr>
<td>The bank faces competition from other technologically advanced financial service providers such as Ecocash, Telecash and Onewallet agents, thus affecting profitability of CBZ</td>
<td>40</td>
<td>3.7000</td>
<td>.15275</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>40</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The study findings indicated that to a very great extent \((\text{mean}=4.6; \text{SD}=0.5)\), customers find mobile banking (Ecocash, Telecash and Onewallet) easy to use than traditional banking thereby affecting profitability of CBZ. It was also revealed that to a great extent \((\text{mean}=4.4; \text{SD}=0.5)\), money transfer agents (Western Union, MoneyGram and Mukuru) focuses on providing excellent customer service thereby affecting profitability of CBZ.
customer service thereby affecting profitability of CBZ and also to a great extent \( (mean=4.1; SD=0.3) \), customers no longer visit the branches once they have been boarded on mobile banking. The study further revealed that to a great extent \( (mean=3.7; SD=0.5) \), the bank faces competition from other technologically advanced financial service providers such as Ecocash, telecash and Onewallet agents. The above results also collaborated with the information obtained through key informant interviews. The Branch manager explained that the only way of dealing with these disruptive changes was to adapt because, unlike in the past, today’s customers no longer want queues, but want banking at their own terms, whenever they want it and from wherever they are and this has greatly affected their profitability in a negative way. The manager said

“........the local banking industry is still smarting from the emergence of mobile banking, which has posed serious competition. Statistics released by the central bank shows that the majority of Zimbabweans are now relying on mobile banking services. In the nine months to September 2017, mobile banking handled transactions worth more than $15 billion............”

The manager attributed the current decline in the bank’s profitability to competitive forces in the form of disruptive innovations such as Ecocash, Telecash, Onewallet, Western Union, MoneyGram and Mukuru. The customer service manager also echoed the above sentiments and revealed that another fresh headache for the industry is coming from cryptocurrencies, a global phenomenon that is posing a serious threat to traditional banking, however he was swift to point out that the issue of the digital currencies is yet to be a big issue in the Zimbabwean banking industry compared to developed nations. The customer service manager reported that;

“........until banks realize that the status quo has changed, they stand to be relegated to the corporate dustbin. Lack of innovation and failure to read the market has never had good endings in the long-term as the returns are being eroded by disruptive innovators............ as such banks must not let outsiders lead innovation. Gone are the days of banking models where customers had to come into banking halls and do manual transactions. Now customers are more sophisticated and want convenience, not hassles........”
4.5.1 Regression matrix of disruptive innovations and profitability of CBZ

Table 4.5 shows statistical relationship between disruptive innovations and profitability

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-.802*</td>
<td>.643</td>
<td>.598</td>
<td>.32733</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant),

On the association, the model summary indicated an R value of -0.802, showing that there was a strong negative relationship between disruptive innovations and profitability. It indicated that disruptive innovations have caused 64.3% variation on profitability as indicated by the R square value computed.

Table 4.6 ANOVA of disruptive innovations and profitability

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1.543</td>
<td>1</td>
<td>1.543</td>
<td>13.120</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>.857</td>
<td>38</td>
<td>.107</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2.400</td>
<td>39</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), disruptive innovations
b. Dependent Variable: profitability

F-statistic of 13.120 (p=0.001<0.05) was obtained indicating that the model was highly statistically significant, in predicting how disruptive innovations affects profitability of CBZ Bindura.
Table 4.7 Coefficients of disruptive innovations and profitability

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-.614</td>
<td>.977</td>
<td>-1.021</td>
<td>.485</td>
</tr>
<tr>
<td>disruptive innovations</td>
<td>-.757</td>
<td>.226</td>
<td>.712</td>
<td>7.795</td>
</tr>
</tbody>
</table>

a. Dependent Variable: profitability

The results tabulated on table 4.7 showed that disruptive innovations caused 71.2% variation in profitability and t value (7.795) was statistically significant ($p=0.001<0.05$). The relationship between disruptive innovations and profitability was also negative.

4.6 Effect of disruptive innovations on market share of CBZ

The study sought to examine the effect of disruptive innovations on market share of CBZ and the results are shown on table 4.8 below.
Table 4.8 Effect of disruptive innovations on market share of CBZ

| New forms of payment systems (MasterCard, Visa, Global Technology Partners (GTP)) has escalated the growth of alternative digital payment options, resulting to competition and affecting marker share of CBZ | 40 | 4.9000 | .10000 | .31623 |
| Innovation has helped money transfer agents achieve customer-centricity, optimize channel experience and take advantage of alternative distribution channels thereby affecting marker share of CBZ | 40 | 4.5000 | .16667 | .52705 |
| The bank has lost competitive advantage as a result of the emergence of other digital financial service providers | 40 | 4.2000 | .20000 | .63246 |
| The bank is still the preferred mode of transaction for its customers despite new entrants into the market | 40 | 1.7000 | .15275 | .48305 |
| CBZ works with other financial service providers in order to provide an end-to-end customer experience | 40 | 1.5000 | .16667 | .52705 |
| Valid N (listwise) | 40 |

The research outcomes showed that to a very great extent (mean=4.9; SD=0.3), new forms of payment systems (MasterCard, Visa, Global Technology Partners (GTP)) have escalated the growth of alternative digital payment options, resulting to competition and affecting marker share of CBZ. Innovation has helped money transfer agents achieve customer-centricity, optimize channel experience and take advantage of alternative distribution channels thereby affecting marker share of CBZ, the factor obtained a mean value of 4.5 and standard deviation of 0.5 (SE=±0.2) and rated
on the second position. The further indicated that to a great extent (mean=4.2; SD=0.6), the bank has lost competitive advantage as a result of the emergence of other digital financial service providers. The study results, however revealed that to a less extent (mean=1.7; SD=0.5) the bank is still the preferred mode of transaction for its customers despite new entrants into the market and CBZ works with other financial service providers in order to provide an end-to-end customer experience (mean=1.5; SD=0.5). The study findings above were also buttressed by information obtained through interviews. The CBZ Bindura branch manager lamented that disruptive innovations have negatively impacted their market share and he give particular attention to the three mobile operators Econet, NetOne and Telecel. The manager said;

“…Zimbabwe’s banking market is evolving rapidly. The soaring growth of mobile financial services, specifically mobile wallets, has taken hold in the region as more and more consumers rely on their mobile phones and this has affected our market share. Not only does this offer a more streamlined model of banking, it is also accelerating financial inclusion”

The customer service manager also revealed that the banking sector is moving slowly away from the brick-and-mortar model because of the change in the demographic, whereby millennial or digital natives are becoming the dominant consumer of financial services and the disruptive innovators are capitalizing on that. The customer service manager reported that;

“……they don’t have much interest in using brick-and-mortar models…….they are quite happy to use their devices to engage and transact with the bank. They prefer conversational banking via instant messaging. Hence, we are also looking at new innovations around artificial intelligence in order to consolidated our market share………………..”

It was revealed during the interviews that, Zimbabwe has recently witnessed the rise of mobile money and digital payment solutions which have increasingly been embraced across the world and this has also culminated in affecting traditional clients of the banks.

4.6.1 Regression matrix of disruptive innovations and market share of CBZ

The study sought to examine the link between disruptive innovations and the market share of CBZ. Table 4.9 shows statistical relationship between disruptive innovations and the market share.
Table 4.9 Model summary of relationship between disruptive innovations and the market share

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-.655\textsuperscript{a}</td>
<td>.429</td>
<td>.357</td>
<td>.42258</td>
</tr>
</tbody>
</table>

The research results on table 4.9 showed the computed R value of -0.650; therefore this indicated that there was a strong negative relationship between disruptive innovation as an independent variable and market share as a dependent variable. The computed R square value indicated that 42.9% variation in market share was due to disruptive innovations (Online and mobile banking, money transfer agents and new forms of payment systems).

Table 4.10 ANOVA of disruptive innovations and the market share

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1</td>
<td>1.071</td>
<td>1.071</td>
<td>16.103</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>38</td>
<td>.179</td>
<td>2.500</td>
<td>16.103</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), disruptive innovations
b. Dependent Variable: market share

The computed F-statistic of 16.103 (\textit{p}=0.01<0.05) indicated that the model was highly significant, thus the model was statistically significance in predicting how disruptive innovations influence market share at CBZ bank.
Table 4.11 Coefficients of disruptive innovations and the market share

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>-.714</td>
<td>.977</td>
<td>-3.731</td>
<td>.485</td>
</tr>
<tr>
<td>disruptive innovations</td>
<td>-.857</td>
<td>.226</td>
<td>-7.015</td>
<td>.005</td>
</tr>
</tbody>
</table>

Concerning to beta coefficients, the outcomes on table 4.11 showed that disruptive innovations caused 80.2% variation in the market share of CBZ Bindura bank. The value of t was -7.015 and statistically significant (p=0.00<0.05) and the relationship between disruptive innovations and market share was negative. The results revealed that taking all other independent variables at zero, a unit increase in disruptive innovations will lead to 0.802 decreases in market share of CBZ Bindura bank.

4.7 The nexus between disruptive innovations and sales volume at CBZ

The research solicited on the nexus between disruptive innovations and sales volume at CBZ using a 5 point likert scale (no extent=1; little extent =2; uncertain =3; great extent =4; very great extent= 5) and the responses were computed using mean values as shown on table 4.12.
Table 4.12 Nexus between disruptive innovations and sales volume

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital competition has also resulted to low cost current account and deposit substitutes affecting the sales volumes of CBZ</td>
<td>40</td>
<td>4.4000</td>
<td>.16330</td>
</tr>
<tr>
<td>Aggregators in investment and lending services have resulted to competition by allow customers to pick and choose their own product bundled from several service providers reducing customer base at the bank</td>
<td>40</td>
<td>4.2000</td>
<td>.13333</td>
</tr>
<tr>
<td>Other digital service providers have significantly reduced the number of customers at the bank</td>
<td>40</td>
<td>3.8000</td>
<td>.13333</td>
</tr>
<tr>
<td>The bank is still the preferred mode of transaction for its customers despite new entrants into the market</td>
<td>40</td>
<td>1.5000</td>
<td>.16667</td>
</tr>
<tr>
<td>CBZ works with other financial service providers in order to Provide an end-to-end customer experience</td>
<td>40</td>
<td>1.4000</td>
<td>.16330</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>40</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results on table 4.12 revealed that to a great extent \((mean=4.4; \ SD=0.5)\) digital competition has also resulted to low cost current account and deposit substitutes affecting the sales volumes of CBZ. The study also indicated that to a great extent \((mean=4.2; \ SD=0.4)\), aggregators in investment and lending services have resulted to competition by allow customers to pick and choose their own product bundled from several service providers reducing customer base at the bank. The fact that other digital service providers have significantly reduced the number of customers at the bank obtained a mean value of 3.8 and a standard deviation of 4.2 \((SE=\pm0.1)\).
The further indicated however that, to a less extent \((mean=1.5; SD=0.5)\) the bank is still the preferred mode of transaction for its customers despite new entrants into the market and CBZ works with other financial service providers in order to provide an end-to-end customer experience \((mean=1.4; SD=0.5)\). The above results were congruent to the information obtained through key informant interviews. The manager said;

“…. we are in deep trouble with these innovators particularly Ecocash, it has affected our sales volume in a big way, because of its comprehensive package of financial service. Digital shifts inside and outside the banking industry are rapidly changing the information flows and the way that financial firms and customers interact. It is imperative for banks to become an integral part of customers’ lives with a ubiquitous presence wherever customers are…”

4.7.1 Regression matrix of disruptive innovations and sales volume at CBZ

The linear regression matrix for the nexus between disruptive innovations and sales volume is shown on table 4.13 below.

Table 4.13 Model summary of disruptive innovations and sales volume

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-.655(^a)</td>
<td>.429</td>
<td>.357</td>
<td>.42258</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), disruptive innovations

The computed results on table 4.13 indicated that R value of -0.655 was obtained. This implies that there was a very strong negative relationship between disruptive innovations and sales volume, the relationship was statistically significant \(p=0.00<0.05\). The R square value of 0.677 implied that 68% of variation in sales volume was due to competitive rivalry.
Table 4.14 ANOVA of disruptive innovations and sales volume

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>1.543</td>
<td>1</td>
<td>1.543</td>
<td>14.400</td>
<td>.005ª</td>
</tr>
<tr>
<td>Residual</td>
<td>.857</td>
<td>38</td>
<td>.107</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.400</td>
<td>39</td>
<td>.107</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), disruptive innovations
b. Dependent Variable: sales volume

The computed F statistic on table 4.14 indicated F value of 14.400 ($p=0.005<0.05$) and indicated that the model was highly significant.

Table 4.15 Coefficients of disruptive innovations and sales volume

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-.624</td>
<td>.777</td>
<td></td>
<td>-11.031</td>
</tr>
<tr>
<td>disruptive innovations</td>
<td>-.701</td>
<td>.226</td>
<td>-.802</td>
<td>9.795</td>
</tr>
</tbody>
</table>

a. Dependent Variable: sales volume

Considering the basis of beta coefficients, the result on table 4.15 revealed that disruptive innovations caused 80.2% variation on sales volume. The value of $t$ was 9.795 and statistically significant ($p=0.005<0.05$) and the relationship between disruptive innovations and sales volume was negative.

4.8 Discussion of results

The study findings indicated that the major forms of disruptive innovations being faced in the banking sector are online and mobile banking services such as Ecocash, telecash and Onewallet, Money transfer agents such as Western Union, MoneyGram and Mukuru and new forms of payment systems such as MasterCard, Visa and Global Technology Partners (GTP). These results
are in sync with the aversion by Mbiti and Weil (2011) that, the emergence of mobile banking services such as EcoCash, OneWallet and TeleCash on the scene has created alternative platforms where people transact and save their money. The current study findings also collaborated with Kabweza (2012) position that all major mobile payment systems are a result of mobile network operators’ creativity and innovation and futuristic. The study results also concurred with the observation by Honohan (2014) that swapping old cash for mobile wallets and e-payments, customers have increasingly embraced the simplicity and ease that digital transformation (disruptive innovations) brings and, in Africa, it is no secret that the continent’s high mobile phone penetration makes the region fertile for such a change. Zimbabwe’s banking market is evolving rapidly. The soaring growth of mobile financial services, specifically mobile wallets, has taken hold in the region as more and more consumers rely on their mobile phones thereby forming the basis of the major form of disruptive innovation in the banking sector. Not only does this offer a more streamlined model of banking, it is also accelerating financial inclusion (Yu, 2015). The use of mobile banking and transfer of money using agents Western Union, MoneyGram and Mukuru is on the increase since the country has also uniquely switched over to a multi-currency system using the South African Rand, the US dollar, Euro and more. For the local economy, using this system for everyday transactions can be understandably difficult, hence the existence of disruptive innovations such as Eco-cash, Telecash and Onewallet, Western Union, MoneyGram and Mukuru and Master Card, Visa and Global Technology Partners (GTP).

EcoCash, telecash and Onewallet are the popular disruptive innovations in the financial industry in Zimbabwe. They created a new market and value network, disrupting the existing ones and becoming major competitors against the established market leaders and alliances in the financial services sector in Zimbabwe. Therefore, if there is a disruptive innovation which Zimbabwe must recognize, then EcoCash, telecash and Onewallet are irrevocable. The world’s transition from analog systems straight into digitization has ushered in new enterprising solutions which have revolutionized the way people run their day-to-day business (Kanyenze, Kondo, Chitambira and Martens, 2011). EcoCash, telecash and Onewallet now the most converged mobile payment solutions which have integrated international digital payments powerhouses like MasterCard which allows their Debit Card holders to conveniently make international transactions anywhere in the world. The products have received global attention due their uniqueness, convenience, innovativeness, rapid adoption, and the impact they have made to a large population, and their
capabilities to reach the unbanked adults such as the poor (bottom of pyramid), women, youths and those living in the rural areas. These products have connected a population which was hitherto disconnected from accessing financial services.

The study results indicated that there was a strong negative relationship between disruptive innovations and profitability. It indicated that disruptive innovations have caused 64.3% variation on profitability. The current study is in line with the study by Ismail and Masinge (2011) that concluded that there is negative and statistically significant relation between disruptive innovations and financial performance of commercial banks in Kenya, with a focus on Ecobank Kenya Limited. In the Zimbabwean banking there’s a lot still to be done to convey the gist of how the enormously important concept of disruptive innovation works to change the destinies of entrants hungry for their chance at developing a market and incumbents focused on competing for (many times, shrinking) existing share in order to protect decline in profitability. And while not every disruptive innovation may impact the financial industry equally, having so many different species of predators actively circling the banking industry at once indicates that profitability of the banks is under serious threats. The current study findings collaborated with Klein and Mayer (2011) view that, there is almost universal agreement that the financial services industry is being disrupted by new competition, new technology, new consumer behaviors as well as new regulatory pressures that are affecting their returns negatively. The world over, disruptive innovations have become the order of the day and gone are the days of banking models where customers had to come into banking halls and do manual transactions. Now customers are more sophisticated and want convenience, not hassles and are embracing mobile banking (EcoCash, telecash and Onewallet) much to the detriment of bank’s profits. According to the Reserve Bank of Zimbabwe 2016 report, billions of dollars have moved through mobile money platforms and statistics from the central bank showed that total banking sector deposits stood at US$5, 6 billion by June 30, 2015, compared to a total of US$6,1 billion that was transacted on mobile platforms between 2009 and 2014 and electronic payments were expected to hit the US$50 billion mark by year-end of 2016 (Kabweza, 2012) and such disruptive innovations have led to decline in profitability of many commercial banks.

The study revealed that there was a strong negative relationship between disruptive innovations as an independent variable and market share as a dependent variable. The relationship between
disruptive innovations and market share was statistically significant ($p=0.01<0.05$). The current study results are in sync with view of Clay Christensen who is renowned for pointing out how incumbents routinely succumb to disruptive innovations; even as they do everything they can to be more competitive their market share is usually affected by the disruptive innovators. The increased availability of consumer insight, low cost of entry, technological advances and under-sold solutions provides opportunities for innovative disruption in the banking sector that have greatly affected commercial banks market share. The current study findings confirmed Gonzalez-Vega (2013) aversion that new digital technologies, emerging digital competitors and the extremely rapid changes in customer preferences are threatening to dramatically impact those full-service banks that limit themselves to products and services that get distributed primarily through physical branch channels. The outside disruptors tend to be more agile and more innovative, while traditional banks are weighed down by unprofitable branches, legacy back offices and inefficient silos, this thus affect their market share to a great extent. According to Hanohan and King (2012) many banks have already begun losing their customers to digital disruptors. His survey showed that customers acquired 34 percent of traditional banking services such as CDs, money market accounts, personal and auto loans and even new checking and savings accounts from institutions other than their primary bank. The current study results are also in line with the Making Access Possible survey carried out by leading South African think-tanks showed that banks are in real trouble and have lost a lot of ground to mobile money operators.

The research outcome indicated that there was a very strong negative relationship between disruptive innovations and sales volume, the relationship was statistically significant ($p=0.00<0.05$). The current research findings are similar to the research findings by Yu (2015) in the Malaysian banking sector. The current study results echoed Luarn and Hsin-Hui (2015) sentiments that, while the migration to online and mobile channels has been somewhat additive as opposed to a complete transition of behavior, online and mobile banking will continue to weaken the branch’s stronghold on the consumer as better applications and more seamless experiences are developed, thus affect the sales volume of the banks. Banks and credit unions were first to offer bill payment services but have ignored the opportunity, leaving others to provide the services, therefore disruptive innovators such as MasterCard, Visa and Global Technology Partners (GTP) grabbed the opportunity. Those players that have not embraced technological changes have effectively consigned themselves to the dustbins of history as the disruptive innovators eat away
their sales volume. Chiu, Hsu, Lai and Chang (2012) pointed out that, in the past, most telecommunication players were confined to delivering voice and text messages only, but in the past decade or so the sector has expanded to eat into other sectors, even allowing them to offer banking, insurance and security services instantly at a fraction of what traditional players in those sectors would charge thereby affecting the sales performance of the banks negatively. The current study findings also confirmed Reserve Bank of Zimbabwe (2016) narration by The Bankers’ Association of Zimbabwe vice president, who told participants at Competition and Tariff Commission (CTC) policy launch that it was no longer business as usual for the sector as new technologies were threatening the status quo in the banking sector and other industries. Technology has introduced a paradigm shift globally in the functioning of banks and delivery of banking services. A recent survey commissioned by the United Nations on the banking sector further attests to this and must serve as a wake-up call to local banks in terms of how they do business in the wake of disruptive innovations.

4.9 Chapter summary

The overall results indicated that disruptive innovations (Online and mobile banking, money transfer agents and new forms of payment systems) have a significant influence on the organisational performance (measured by market share, profitability and sales volume) of CBZ Bank Bindura branch. The next chapter is going to cover conclusion and recommendation to the study.
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter covers a summary of the major findings, conclusion and recommendations in relation to the stated purpose. It also gives suggestions on areas for further studies. The study aimed at scrutinizing the influence of disruptive innovations on organizational performance of CBZ Bindura Branch. Thus in line with research objectives of this study the study concluded and suggested recommendations based on the findings presented and the literature review.

5.1 Summary of the study

The research examined the influence of disruptive innovations on organizational performance of CBZ Bindura Branch. The research objectives of the study were; to identify forms of disruptive innovations in the banking industry, determining the impact of disruptive innovations on profitability of CBZ, establishing the effect of disruptive innovations on market share of CBZ and to assess the nexus between disruptive innovations and sales volume at CBZ. The research used explanatory research design. Data collection was done through the use of questionnaires and interviews; a sample size of 40 respondents was used obtained through convenience and census as sampling methods. Data was analyzed using descriptive and inferential statistics and thematic analysis.

5.1.1 Summary of findings

The study findings indicated that the major forms of disruptive innovations being faced in the banking sector are online and mobile banking services such as Ecocash, telecash and Onewallet, Money transfer agents such as Western Union, MoneyGram and Mukuru and new forms of payment systems such as MasterCard, Visa and Global Technology Partners (GTP).

The study revealed that there was a strong negative relationship between disruptive innovations as an independent variable and market share as a dependent variable. The relationship between disruptive innovations and market share was statistically significant ($p=0.01<0.05$).

The study results indicated that there was a strong negative relationship between disruptive innovations and profitability. It indicated that disruptive innovations have caused 64.3% variation on profitability.
The research outcome indicated that there was a very strong negative relationship between disruptive innovations and sales volume, the relationship was statistically significant \( p=0.00<0.05 \).

5.2 Conclusion

- Considering the objectives and findings of the study, it can be concluded that disruptive innovations (Online and mobile banking, money transfer agents and new forms of payment systems) have a significant influence on the organisational performance (measured by market share, profitability and sales volume) of CBZ Bank Bindura branch.

- The world over, disruptive innovations have become the order of the day. A disruptive innovation is an invention that creates a new market and value network, eventually disrupting existing market and value network while also displacing established market leaders and alliances.

- In Zimbabwe’s banking industry, the major disruptive innovators are the mobile operators namely Econet, Telecel and Netone and these have affected the organisational performances of the commercial banks. These mobile operators are providing innovative mobile payment solutions that enable their customers to complete simple financial transactions such as sending money, buying prepaid airtime for themselves or other subscribers and paying for goods and services. The internet is now the most frequently accessed distribution channel on a monthly basis well above the branch. And mobile use has soared in the past year, almost overtaking the ATM in its perceived importance to customers. To succeed, traditional banks must become significantly more agile (no more three year planning cycles), embrace an innovative culture, focus on simplification and optimization while delivering an exceptional customer experience in real-time. However, this is a very lofty ambition for an industry that historically moves at a snail’s pace, but there really are no options.

5.3 Recommendations

Based on the research findings the study suggest the following recommendations

- Traditional full-service banks must shift their operating philosophy from being a product-oriented organization to being a customer-centric organization with the ability to engage
with customers anywhere, anytime they want by integrating 21\textsuperscript{st} century technology in order to enhance their competitiveness in the face of disruptive innovations.

- Commercial Banks like CBZ may start to implement open banking as the next step in the digital banking revolution. By shaking up the traditional, insular nature of banking, this system allows banks to collaborate and learn from financial technology innovators in the market. The banks must leverage this change to transform the banking landscape and, more importantly, enhance its customers' experience and collaborate closely with leading fintech companies to offer disruptive digital technologies such as application program interfaces (APIs).
- Commercial Banks like CBZ must start moving away from traditional brick-and-mortar branches to become a digitally-engaged, digitally-focused brand.
- CBZ must response to the customer-centric capabilities of the digital players who can leverage big data and analytics to build a better customer experience. With inertia being the main reason current bank customers don’t switch, traditional banks need to quickly mimic the new digital banking leaders.
- Banks must eliminate antiquated products, streamline offerings and build new services that leverage the new digital delivery capabilities. By using digital capabilities to track transactional and channel behavior, banks will be able to develop better services and offer new solutions in real-time. This enhances cross-sell opportunities and can increase sales volumes.

5.5 Future areas of study

Future research of the same study can be carried out with other banks or financial institutions and compare the results with this research.

Data should be collected from different sources. This would include further case studies, cross-sectional studies and secondary data analysis. This would enrich and improve the study currently being carried out.

Future research can be carried using longitudinal study designs in order to provide a better assessment of how the study variables improve over time. Sample should be drawn on the start of
the study and data relating to financial performance collected on monthly basis. This will ensure that data collected is not subjected to bias and that the data is accurate.

REFERENCES


Chauhan and Choudhary (2015), Internet Banking Challenges and Opportunities in Indian Context. Apeejay Journal of Management Sciences and Technology, (ISSN-2347-5005


Gonzalez-Vega, C. (2013). Deepening Rural Financial Markets: Macroeconomics, Policy and Political Dimensions, the Ohio State University. USA.


Luarn, Pin; Lin, Hsin-Hui (2015), “Toward an understanding of the behavioral intention to use mobile banking”, Computers in Human Behavior,


Markides, 2009


APPENDICES

Appendix 1: Questionnaire for employees

My name is Shorai Chitsiga. I am a student at Bindura University of Science Education pursuing the Master’s Degree in Business Leadership. I am required to carry out a research project in partial
fulfillment of the requirements for the degree. As such the student is carrying out a research on “Impact of disruptive innovation on organisational performance in the banking sector: A case of CBZ Bindura”. The researcher is kindly asking for your assistance as respondents to the research understudy by filling in the questionnaire. The responses you will provide will be treated with utmost confidentiality and will be used solely for academic purposes. Your co-operation will be greatly appreciated.

Should you have any further questions please contact Shorai Chitsiga on 0779 109 936 email address shoraic53@gmail.com

**INSTRUCTIONS:**

- Please answer all the questions honestly.
- Please kindly indicate your answers by ticking where appropriate in the boxes and writing in the spaces provided.
- Your name or identity is not required.

**QUESTIONS**

**Section A: Respondents Profile. Demographic**

**SECTION A: GENERAL INFORMATION**

1.1. Gender

Male ☐ female ☐

1.2. Age of respondent

Less than 29 years ☐

29 to less than 39 years ☐

39 to less than 49 years ☐
1.3 Period of service

Less than 5 years

5 to less than 10 years

10 years and above

1.5 Level of Education attained

Certificate/Diploma

Bachelor’s Degree

Master’s Degree

Others

SECTION B: FORMS OF DISRUPTIVE INNOVATIONS IN THE BANKING INDUSTRY

Indicate the extent to which you agree or disagree with the forms of disruptive innovations being experienced in the banking industry.

SECTION C: IMPACT OF DISRUPTIVE INNOVATIONS ON PROFITABILITY OF CBZ

Indicate the extent to which you agree about the impact of disruptive innovations on profitability of CBZ.

Customers find mobile banking (Ecocash, telecash and Onewallet) easy to use than traditional banking thereby affecting profitability of CBZ

Ecocash, telecash and Onewallet agents offer comprehensive benefits financial service package to their customers and affects profitability of CBZ

Money transfer agents (Western Union, MoneyGram and Mukuru) focuses on providing excellent customer service thereby affecting profitability of CBZ

 Customers no longer visit the branches once they have been boarded on mobile banking thereby affecting profitability of CBZ

The bank faces competition from other technologically advanced financial service providers such as Ecocash, telecash and Onewallet agents, thus affecting profitability of CBZ

**SECTION D: EFFECT OF DISRUPTIVE INNOVATIONS ON MARKET SHARE OF CBZ**

Indicate the extent to which you agree about the impact of disruptive innovations on market share of CBZ.

Innovation has helped money transfer agents achieve customer-centricity, optimize channel experience and take advantage of alternative distribution channels thereby affecting marker share of CBZ.

New forms of payment systems (MasterCard, Visa, Global Technology Partners (GTP) has escalated the growth of alternative digital payment options, resulting to competition and affecting marker share of CBZ.

CBZ works with other financial service providers in order to Provide an end-to-end customer experience.

The bank is still the preferred mode of transaction for its customers despite new entrants into the market.

The bank has lost competitive advantage as a result of the emergence of other digital financial service providers.

SECTION E: EFFECT OF DISRUPTIVE INNOVATIONS ON SALES VOLUME OF CBZ

Indicate the extent to which you agree about the impact of disruptive innovations on sales volume of CBZ.

Other digital service providers have significantly reduced the number of customers at the bank

Aggregators in investment and lending services have resulted in competition by allow customers to pick and choose their own product bundled from several service providers reducing customer base at the bank

Digital competition has also resulted to low cost current account and deposit substitutes

CBZ works with other financial service providers in order to provide an end-to-end customer experience

The bank is still the preferred mode of transaction for its customers despite new entrants into the market

Appendix 2: Questionnaire for customers

My name is Shorai Thelma Chitsiga, student registration number B1230821. I am a student at Bindura University of Science Education pursuing Masters in Business Leadership. I am required to carry out a research project in partial fulfillment of the requirements for the degree. As such the student is carrying out a research on “Impact of disruptive innovation on organisational performance in the banking sector”. The researcher is kindly asking for your assistance as respondents to the research understudy by filling in the questionnaire. The responses you will provide will be treated with utmost confidentiality and will be used solely for academic purposes. Your kind co-operation will be greatly appreciated.
INSTRUCTIONS:

- Please answer all the questions.

- Please kindly indicate your answers by ticking where appropriate in the boxes and writing in the spaces provided.

- Your name or identity is not required.

QUESTIONS

Section A: Respondents Profile. Demographic

SECTION A: GENERAL INFORMATION
1.1. Gender
Male □ female □

1.2. Age of respondent
Less than 29 years □
29 to less than 39 years □
39 to less than 49 years □
49 to less than 59 years □
59 years and above □

1.3 Period of conducting business with CBZ Bindura Branch
5 years □
5 to less than 10 years □
10 years and above □

1.5 level of Education attained
Primary Level □
Secondary Level □
Tertiary Level □
Others □
SECTION B: FORMS OF DISRUPTIVE INNOVATIONS IN THE BANKING INDUSTRY

Indicate the extent to which you agree or disagree with the forms of disruptive innovations being experienced in the banking industry.


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### SECTION C: IMPACT OF DISRUPTIVE INNOVATIONS ON ORGANIZATIONAL PERFORMANCE OF CBZ

Indicate the extent to which you agree about the impact of disruptive innovations on organizational performance of CBZ

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Disruptive innovations (Ecocash, telecash and One wallet, Western Union, MoneyGram and Mukuru; MasterCard, Visa) has a negative effect on profitability of CBZ.

Disruptive innovations (Ecocash, telecash and One wallet, Western Union, MoneyGram and Mukuru; MasterCard, Visa) has a negative effect on market share of CBZ.

Disruptive innovations (Ecocash, telecash and One wallet, Western Union, MoneyGram and Mukuru; MasterCard, Visa) has a negative effect on sales volume of CBZ.

Others ……………………………………………………………………………………………………………………………

Thank you

Appendix 3: Interview Guide for key informants

Interview guide for CBZ employees

Date: ……………………………………………………………………………………………………………………………

Duration: ………………………………………………………………………………………………………………………

Interviewee Background Information

Academic Qualifications: ……………………………………………………………………………………………

Years of experience in banking sector: ………………………………………………………………………………...
I want to ask you questions about the general situation in the banking sector

1. What are the challenges that you are facing as a bank?
2. What are the business implications of the current socio-economic situation in the financial sector?
3. What are the forms of disruptive innovations in the banking industry?
4. What is the impact of disruptive innovations on profitability of CBZ?
5. What is the effect of disruptive innovations on market share of CBZ?
6. What is the influence of disruptive innovations on sales volume at CBZ?