

A Study of the Strategic Responses of Commercial Banks to Changes in the External Environment in Zambia

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ABSTRACT

Banking sectors play a crucial part in the growth of an economy. As a result, the banking sector's stability is critical to an economy's growth. Commercial banks are faced with external environmental changes that may render negative as well as positive impacts on commercial banks. Strategic management is one of the key corner stones of any business institution that needs to compete favourably in a particular industry and respond to changes in the external environment. Crafting strategies to suit changes in the external environment is one principal goal of every organisation whose aim is to remain competitive in the market, generate profits and attain growth. This investigated response strategies to external environment (economic changes, technological changes, and social-culture changes) of commercial banks in Zambia. Descriptive research approach was used with 38 questionnaires distributed. Only 20 questionnaires were returned and correctly answered, representing 52.6% response rate, enough to draw conclusions and recommendations. Data analysed quantitatively in SPSS and Microsoft excel with result values presented using percentages, averages, and means. The results revealed that commercial banks did not respond to social-cultures changes in consumer behaviour in Zambia. However commercial banks responded to economic and technological factors, which led to closure of some branches and bank merges. To that end, commercial banks adopted various response strategies to respond to the changes. Strategies adopted included stability and expansion while no commercial bank adopted retrenchment strategy. Commercial banks should not only concentrate on stability strategies, but also use other strategies such as expansion and retrenchment strategies to survive the harsh external turbulence. Management of commercial banks should take advantage of advances in information and communication technology that enhances service delivery and meeting customer needs. Banks need to constantly scan the environment using various tools like SWOT, Research and Development and PESTEL in order to be aware of changes in the external environment and prepare for it.

Keywords-- Strategic Responses, Commercial Banks, External Environment

I. INTRODUCTION

Strategic management is one of the most important activities in any company and cannot be overlooked by any enterprises faced with environmental turbulence. Strategic management, as postulated by Porter (2008), is used as a mechanism that enables firms to identify external environmental forces and prepare a plan on how to deal with external forces such as Political, Economy, Social-cultural, Technology, Environmental and Legal (PESTEL). Well formulated and implemented strategic management is a prerequisite for firms' stability and continuing growth, while poor strategy formulation and implementation is the most frequent cause of poor performance and limited growth of firms in the long run (Ansoff, 2013). As with any firm involved in the business, the biggest challenge is how to remain competitive in the ever changing business environment.

Changes in the business environment have remained one of the pressing issues for both banks and non-banking financial institutions in Zambia (PwC, 2021). The scale of problems brought about by the Covid-19 pandemic has tested the resilience of financial institutions unlike anything encountered in living memory (OECD, 2021). This coupled with an already weak domestic economy, declining annual economic growth to 2.4% from predicted 4.6% (PwC, 2021), has affected almost every aspect of business operations and exposed a plethora of risks – both old and new – for banks and non-bank organisations. Despite these recent challenges, many financial services organisations shifted strategic focus to ensuring their resilience, operationally and financially, while supporting customers, colleagues and communities (PwC, 2021).

Although many financial services organisations in Zambia shifted strategic focus to ensuring their resilience and survival (PwC, 2021), the strategic response used by commercial banks to respond to changes in the external environment in the Zambian economy are not known. However, several studies elsewhere have shown that

commercial banks respond to changes in external environment with different strategies including stability strategies, mergers, closure of branches, retrenchments etc. (Sholla and Nazari 2018; Asenwa 2018; Sanjeevan, 2017).

Therefore, the problem of the study is that the response strategies used by commercial banks to respond to changes in the external environment in Zambia are not known. This study, therefore, was conducted to fill this knowledge gap. Based on the knowledge gap, the study wishes to address the response strategies towards economic changes, response strategies towards changes in technology and response strategies towards changes in social-culture.

1.1 Objectives

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

II. LITERATURE REVIEW

Industrial organizations whether small or big are experiencing environmental turbulence and facing stiff competition in the market, both nationally and internationally. Achieving competitiveness in the global market has become a challenge for management and many studies reveal that response strategies are the best measures to respond to changes in the business environment and achieve competitiveness across the global. Management ability to come up with good response strategies makes them more competitive and determines their success amid turbulent forces in the environment. The main effort of the researcher is to collect relevant literature and research finding from different published and unpublished sources, review them, analysis them and explain the response strategies and how it responds to changes in the business environment. The changes in the business environment coupled with the growing competition among the firms are continuously putting pressure on the organizations for adapting response strategies to solve the problems and promote growth in the organisation. Some of the suitable response strategies that have been studied by various scholars are summarised here.

Sholla and Nazari (2018) conducted a study titled Influence of External environment factor on Strategic Management in Commercial Banks in Albania. This study was conducted in a European country using quantitative methods. The external environmental factors included

were political, economic, social cultural, technology, legal and ecology.

The study was a qualitative case study survey in which all the 16 commercial banks in Albania participated in the study. The data collection instrument used was a questionnaire consisting of 35 questions, with 19% of the questions being open-ended. All the 16 commercial banks of the Albanian banking industry were set as the population for this study and those 16 commercial banks include locally owned and foreign owned banks. Because of the smaller number of banks in the population, this study had to design its data collection process very carefully to encourage the banks to participate in this research. The questionnaires were fulfilled in direct interviews with high level management of the Albanian banking sector. The qualitative data analysis methods were used to analyse the data that consists of descriptions of events.

The study revealed that external environmental factors had an influence on strategic management in commercial banks in Albania. The implication of the study was that the external environment influenced the way banks in Albania operated.

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

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

Several studies have been conducted on the African continent. For example, Asenwa (2018) conducted a study to investigate the strategic responses employed by Sidian bank to external environmental turbulence. The study was conducted in Kenya using descriptive research design as it sought to describe the relationship between the independent variable-external environmental turbulence and the dependent variables-the external environmental

factors, the responses adopted, and the success of the responses using 400 employees as population of the study. The study sample size was 40 employees obtained using purposive stratified sampling technique. Data was collected using a questionnaire and both descriptive (mean, frequency, standard deviation) and inferential statistics (correlation, regression) were used to analyse the data in Statistical Package for Social Sciences (SPSS) program.

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

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

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

On the Zambian scene, PWC (2021) conducted a survey on the 2020 Zambia Bank and Non-Bank Industry. The most pressing issue, as indicated by PwC for the banks in Zambia were the impacts of Covid-19 on the economy in general and banking sector in particular. The survey reported that the pandemic had been felt by all businesses to an extent that the Zambian economy was in deep distress because of the disruption to work and operations

brought about by pandemic. Due to economic uncertainties, the banking sector was faced with increase in customer defaults leading to losses. Although the survey by PWC does provide information on Impacts of Covid-19 pandemic, it did not investigate the strategic responses that the banking sector is engaged in as it responds to the on-going Covid-19 pandemic issues.

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

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

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

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

OECD (2020) produced a report on Covid-19 and the banking system. The report focused mainly on impact of Covid-19 on Non-Performing Loans (NPLs). The report aimed at assessing the extent of the potential rise in NPLs depending on the severity of the COVID-19 crisis on the global economic environment and taking into consideration assumptions under extensive monetary and fiscal support versus a scenario without continued support measures in keeping with conditions that prevailed in the past crisis. The paper also investigated the subsequent implications for bank capital and discussed whether policy responses may be needed to clean balance sheets.

Among its findings, the report did mention that governments as well as their central banks did come up with policies (strategies) to ease the challenges faced by banks' as a result of the COVID-19 crisis and induced stress, in turn reducing the impact on bank asset quality.

However, the report did not investigate the extent to which banks were responding to the Covid-19 crisis.

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

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

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

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

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

Zambian context, hence the need to carry out the current study.

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

III. METHODS

Although various response strategies are used to respond to changes in the external business environment by commercial banks, the response strategies used by commercial banks to respond to economic, technological and social culture changes in Zambia are less studied. This research work aimed at investigating the strategic responses employed by commercial banks in Zambia to external environmental turbulence. Present research work has been taken up with the following objectives:

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

To achieve the above objectives, the data were collected from commercial banks located in Lusaka Zambia. A survey instrument was chosen for collection of comprehensive data of the response strategies employed by commercial banks to external environmental turbulence. A detailed review of the literature from different sources was carried out to identify the construct for response strategies by commercial banks. A semi-structured questionnaire was designed covering the prevailing organizational climate, the nature of response strategies, the response outcome and overall effect of response strategies on survival of commercial banks in external turbulence environment. The researcher prepared the sampling frame for the study on the basis of financial institutions that are classified as commercial banks according to Bank of Zambia categorisation of financial institutions in Zambia. For inclusion into sampling frame, it was assured that only those firms should be included into sampling frame that have been in operation in the last five years. The data used in this study offer information on demographic characteristics of respondents, nature of response strategies, response strategies used to respond to external environmental turbulence and their outcomes (Morgun, T.N.et al, 2021).

IV. DATA COLLECTION

Questionnaire was used, personally visiting different commercial banks to distribute the questionnaire. The questionnaire for survey was distributed to a total of 38 top and middle managers in the commercial banks, with 20 of them being returned and properly completed. This equates to a response rate of 52.6 percent, which was good enough to carry out the analysis and make conclusions as a response rate of 50 percent is appropriate for analysis and reporting, according to Mugenda and Mugenda (2013) and

Efremenko, I. N. et al (2017). The statistical data was analysed with the use of computer tools such as Microsoft Word, Microsoft Excel, and SPSS. The percentages, averages, and means were used to represent

the result values. If required, frequency charts, tables, and graphs are used to show the results of the data analysis

V. RESULTS AND DISCUSSION

5.1 Results

Table 1 show the demographics details of 20 samples where males were more than females and as far as level of education was concerned, Respondents with professional/postgraduate degree were the most followed by bachelor's degree/equivalent professional qualification, and maximum respondents had more than 1 year experience in their roles. Majority of the respondents were holding positions that were involved in strategy formulation in commercial banks.

Table 1: Demographic Characteristics of Respondents

Demographics details	Frequency	%
Gender (n =20)		
Male	16	80
Female	4	20
Level of education (n = 20)		
School certificate	0	0
Tertiary certificate	0	0
Diploma/equivalent professional qualification	0	0
Degree/ equivalent professional qualification	5	25
Postgraduate	15	75
Respondents job position (n = 20)		
Head of credit		
Head of risk		
Head assets		
Director global marketing		
Head retail banking		
Job experience (n = 20)		
Less than 1 year	0	0
1-4 years	1	5
5-9 years	4	20
Over 10 years	15	75

5.2 Response strategies to Economic Changes

The study sought to establish few factors before establishing the response strategies of commercial banks to economic changes in the last five years (2018 – 2022).

These included establishing the degree of change in economic environment, extent of influence of economic

factors on commercial banks' operations, impact of economic changes on bank's choice of response strategy and finally Response strategies to economic changes in the external environment, whose findings are shown in table 2, table 3, table 4 and table 5 respectively.

Table 2: Degree of Change in Economic Environment

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

Table 2 show the response on degree of change in economic environment by respondents in that last five years, where 70% (14) strongly agreed that the degree of change in the economic environment was high from 2018 to 2022. Followed by 25% (5) who agreed and only 5% (1)

disagreed that the degree of change in economy high. Mean score of 4.6 imply that respondents agreed that the degree of change in economic environment was high in the banking sector.

Table 3: Extent of Influence of Economic Factors on Commercial Banks' Operations

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

Table 3 shows respondents response on extent of influence of economic changes on commercial banks' operations. Majority agreed that economic changes influenced banks operations as 40% stated very great extent, 20% to a great extent, 15% to some extent and 15%

to some extent, totalling 75%. Only 10% stated that the economic forces did not at all influence the operations of the commercial banks. This finding suggests that changes in the economic forces influenced the operations of the commercial banks in the last five years

Table 4: Impact of economic changes on bank's choice of response strategy

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

Table 4 shows the response on influence of economic changes on bank's choice of strategies. Our findings indicated that majority of the respondents agreed that changes in economic environment of commercial banks impacted bank's choice of strategy as 80% (16) and 20% (4) strongly agreed and agreed respectively. The

mean score was 4.8 implying that respondents agreed that changes in the economic environment impacted the bank's choice of strategy.

Table 5: Response Strategies to Economic Changes

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

Table 5 shows responses on response strategies by commercial banks to economic changes. From table 5 adopting stability at 60% scored the highest with mean score of 4.35 and SD of 1.04 meaning most commercial banks responded to the changing economic environment by adopting stability strategies with majority (70%) indicating that retrenchment was not used at all. The other strategies, although used by commercial banks, was not used to a very great extent as compared to stability.

Response strategies to technological changes the study sought to establish few factors before establishing

the response strategies of commercial banks to technological changes in the last five years (2018 – 2022). These included establishing the degree of change in technological environment, extent of influence of technological factors on commercial banks' operations, impact of technological changes on bank's choice of response strategy and finally Response strategies to technological changes in the external environment, whose findings are shown in table 6, table 7, table 8 and table 9 respectively.

Table 6: Degree of Change in Technological Environment

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

Table 5 shows responses on degree of change in technological environment of commercial banks. Majority agreed that the technological environment change as 75% (15) strongly agreed and 20% (4) agreed that the degree of change in technological environment was high. Very few,

5% (1), strongly disagreed. Mean score of 4.1 indicated that respondents agreed that the degree of change in technological environment was high.

Table 7: Extent of Influence of Technological Factors on Commercial Banks' Operations

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

Table 7 shows respondents response on extent of influence of technological changes on commercial banks' operations. The findings revealed that majority agreed that changes in technology influenced operations of commercial banks as very great extent had 45% (9), to a great extent had 20% (4), to some extent had 5% (1), very

little extent had 15% (3) and not at all had 15% (3). This implies that majority or the respondents stated that technological factors did influence the operations of the commercial banks.

Table 8: Impact of Technological Changes on Bank's Choice of Response Strategy

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

Table 8 shows responses on impact of technological changes on bank's choice of response strategies. Majority agreed that technological changes influenced commercial bank's choice of strategy as 30% (6) and 40% (8) strongly agreed and agreed respectively.

Very few disagreed as 5% (1) strongly disagreed, 15% (3) disagreed while 10% (2) were undecided. The mean score was 3.75 implying that respondents agreed that changes in the technological environment impacted the bank's choice of strategy.

Table 9: Response Strategies to Technological Changes

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

Table 9 shows the responses on response strategies to technological changes in the external environment by commercial banks. Findings shows that adopting digitalization at 95% scored the highest and mean of 4.9 and SD of 0.44 meaning most commercial banks responded to the changing technological environment by adopting digitalization strategies. It appears the other two strategies fell within digitalization in which majority indicated that commercial banks integrated IT systems in banks (i.e. upgrading existing and installation of new gadgets) as well as use of internet and mobile banking.

5.3 Response Strategies to Social-Culture Changes

The study sought to establish few factors before establishing the response strategies of commercial banks to social- culture changes in the last five years (2018 – 2022). These included establishing the degree of change in social-culture environment, extent of influence of social-culture factors on commercial banks' operations, impact of social-culture changes on bank's choice of response strategy and finally Response strategies to social-culture changes in the external environment, whose findings are shown in table 10, table11, table 12 and table 13 respectively.

Table 10: Degree of Change in Social-Culture Environment

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

Table 10 shows responses on degree of change in social-culture environment. Findings revealed that 15% (3) strongly agreed, 10% (2) agreed, 15% (3) undecided, 40% (8) disagreed and 20% (4) strongly disagreed to changes in social-culture environment. Overall, the findings revealed that there was no change in social-culture environment as

the mean score was 2.6 implying that respondents disagreed that the degree of change in social-culture was high.

Table 11: Extent of Influence of Social-Culture Factors on Commercial Banks' Operations

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

Table 11 shows responses on extent of influence of social-culture environment on commercial bank's operations. Findings revealed that very great extent had 5% (1), to a great extent had 15% (3), to some extent had

20% (4), very little extent had 35% (7) and not at all had 25% (5). This implies that majority or the respondents stated that social- culture did not influence the operations of the commercial banks.

Table 12: Impact of Social-Culture Changes on Bank's Choice of Response Strategy

Frequency		Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	3	15	15
	Agree	4	20	35
	Undecided	6	30	65
	Disagree	4	20	85
	Strongly Disagree	3	15	100
	Total	20	100	
Mean		3		

Table 12 shows responses on impact of social-culture changes on commercial bank's choice of response strategy. Findings show that the respondents were undecided as majority of the respondents indicated

undecided; this is represented by 30% (6) of total respondents. The mean score was exactly 3 implying respondents were undecided.

Table 13: Response Strategies to Social-Culture Changes in the External Environment

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

Table 13 shows response strategies to social-culture changes in the external environment by commercial banks. Findings revealed that adopting effective complaint handling at 50% scored the highest and mean of 4.1 and SD of 0.44 meaning half of the commercial banks responded to the changing social-culture environment by adopting effective complaint handling strategies. However, the other strategies also scored means above 3.0 implying that they were also used as response strategies to the changing social-culture environment.

5.4 Discussion of Findings

The purpose of this study was to investigate the strategic responses employed by commercial banks in Zambia to external environmental turbulence with regard to economic turbulence, technological turbulence and social-culture turbulence. According to the study findings,

there were changes in the economic, technological and social-culture environment that prompted commercial banks in Zambia to adopt different response strategies. In light of this, the next section provides an in-depth discussion of the results and highlights additional studies with comparable and dissimilar results. The findings are discussed according to research objectives.

5.5 Response Strategies to Economic Changes

From the study, the degree of change in economic environment for the period under study was high. More than 90% of respondents (with 70% strongly agreeing and 25% agreeing) indicated that there were changes in the economic environment of the commercial banks in the last five years. The result is an indication that economic environment changes were significant in the banking sector in Zambia. This indicates that the state of the

external economic environment was full of challenges. This finding is in line with PwC (2021) who reported that the banking sector in Zambia faced a number of economic challenges from 2015 to 2020 among them the declining state of the local economy, the impact of Covid-19 on economy and operations of businesses; high credit risk and Non-Performing Loans and cyber-security.

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

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

The study findings further indicated that the change in the economic environment of the commercial banks prompted commercial banks to adopt response strategies to the changes as 80% strongly agreed and 20% agreed. According to the study findings, a number of response strategies were reported as being adopted. However, most banks adopted stability as a response strategy to economic changes, which scored 60% with mean of 4.35 and standard deviation of 1.04. This finding is an indication that most commercial banks in Zambia responded to the changing economic environment by adopting stability strategy. The stability strategy, seeks to maintain operations and market size and position, may have been adopted by most banks owing to the fact that most commercial banks choose not to change their strategies, but maintain the same strategies that they had.

However, despite the reported changes in the economic environment of commercial banks, the findings showed that most commercial banks in Zambia reported increased revenue. This can be due to that fact that changes in the external environment can pose constraints as well as create opportunities for organizations (Hrebiniak and

Joyce, 1985). As indicated by PwC (2021), commercial banks in Zambia are faced by various economic changes among them the state of the local economy, the impact of Covid-19 on economy and operations of businesses and the advance in technology. Such difficult economic conditions pose major threats to, but perhaps also offer important opportunities for, businesses. Businesses have to come up with strategies that will be employed to impact on both short-term company performance as well as long-term performance in recovery (Whittington, 1991).

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

5.6 Response Strategies to Technological Changes

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

The finding is in line with the findings of Asenwa (2018) who reported that technology was one of the turbulent external factors that commercial banks in Kenya faced. The same findings were also reported by Sholla and Nazari (2018) in Commercial Banks in Albania. The study finding suggests that commercial banks must pay attention

to changes in the technology if they are to stay in touch with changing trends in the tech world. Commercial banks need to use as many tools as possible to scan the environment so they are prepared for any changes in the tech world. This was also echoed by Sanjeevan (2017) who reported that commercial banks in Sri Lanka engaged in strategic planning using various strategic tools such as Porter's five forces.

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

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

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

5.7 Response Strategies to Social-Culture Changes

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

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

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

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

The difference in the findings may again be attributed to the fact that most commercial banks adopted stability strategies, meaning they were more interested in maintaining the status quo and study the population and access what they want. However, it is important that

commercial banks understand marketing segmentation and develop a variety of products to satisfy the constantly changing customer needs (attitudes and behaviour).

Despite having indicated that commercial banks did not feel social-culture changes in the environment and that social-culture changes did not influence banks choice of strategy, respondents did report some response strategies that commercial banks adopted to respond to changes in social-culture of citizens. According to the findings, effective handling of complaints (50%, $X = 4.1$), Timely service delivery (40%; $X=3.85$), diversity and new ways of working (30%; $X = 3.75$) and creating financial products that meet the needs of all the customers (30%; $X=3.75$) were some of the response strategies adopted to respond to changes in social-culture environment.

This finding suggests that commercial banks were using customer service strategy to respond to changes in attitude and behaviour of customers. Good customer service means constantly meeting customer expectations. Thus, commercial banks, through timely delivery of services, effective handling of complaints, diversity and new ways of working and creating financial products that meet the needs of all the customers were some of the ways through which consistent customer expectations were met. This finding is in line with that of Sanjeevan (2017) who reported that commercial banks responded to changes in customer attitudes and behaviour through customer service strategies such as changing the way commercial banks relate with its customers.

VI. CONCLUSION

The study aimed at investigating the response strategies that commercial banks adopted to respond to changes in external environment. Specifically, the study investigate response strategies to economic, technology and social- culture changes using a sample size of 38 top and middle level management involved in strategic planning of commercial banks.

The first objective was to establish the response strategies used by commercial banks in Zambia towards external economy changes. According to the findings, a considerable change in economic trends was recorded in the 5 year period (2018 – 2022) under consideration the study. According to the findings, interest rate and inflation were fluctuating with average figures showing an increase in both parameters. According to the findings, GDP had contracted from the average 4.6% for the ten years running from 2010 to 2020 to 2.4%.

The findings further revealed that the reported changes in the economic environment impacted the operations of the commercial banks. According to the findings, increase in interest rates and inflation and

contraction in GDP led to less loans issued by commercial banks.

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

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

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

The study findings further revealed that changes in technological environment of commercial banks impacted bank's choice of strategy and that the choice of strategy as a result of changes in technology was digitalisation. According to findings, commercial banks integrated IT systems in banks (i.e. upgrading existing and installation of new gadgets) as well as use of internet and mobile banking.

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

Study further revealed that change in consumer behaviour affected the way commercial banks operated as majority

resorted to incorporating more technology in the operations of commercial banks. According to the findings, it was not clear whether changes in consumer behaviour influenced commercial bank's choice of strategy. However, it was revealed that commercial banks responded to social-culture (consumer behaviour) by effective handling of complaints by digitalising the process, diversity and new ways of working and creating financial products that meet the needs of all the customers. Generally, the study established that commercial banks in Zambia faced changes in economic trends, changes in technology and little change in social-culture. The changes in the external environment did not just affect the operations of the commercial banks, but also influenced the choice of response strategy to use in responding to those changes. The study established that commercial banks responded to economic, technological and social-culture changes using stability strategy, digitalisation, and effective handling of complaints using technology respectively.

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