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CHAPTER 1: ORIENTATION

1.1. Introduction

The Southern African Development Community (SADC) region consists of fourteen member countries, namely, Angola, Botswana, Democratic Republic of the Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

Although this regional economic bloc appears to be in the early stages of development compared to a fully integrated region such as the European Union (EU), efforts of defining its vision and putting together some development and harmonisation initiatives have been going on since its inception in 1980. The progress appears to be taking a snail pace.

In 2001 the SADC Summit Meeting of the Heads of States set out long-term goals and objectives to satisfy the vision of the SADC region. This was followed by the formulation of a Regional Indicative Strategic Development Plan (RISDP) document to co-ordinate the development initiatives in different focus areas, referred to as programmes. These programmes are Food, Agriculture and Natural Resources (FANR), Trade, Industry, Finance and Investment (TIFI), Infrastructure and Services (I & S) as well as Social and Human Development and Special Programmes (SHD & SP).

The project to develop, modernise and harmonise the payment, clearing and settlement systems in the region was established with other projects under the auspices of the SADC Committee of Central Bank Governors (SADC CCBG). The project is known as the SADC Payment System Project. It is one of a number of projects at “micro” level under the aegis of the SADC CCBG. It is viewed as one of the critical areas in the facilitation of the flow of trade, thereby positively contributing to economic development.

1.2. Purpose of the study

The purpose of the study is to:

- describe the strategic management process adopted by the SADC Payment System Project for the modernisation of the payment systems in each member country that will lead to the harmonisation of regional payments by developing cross-border and inter-bank settlement system, and
- highlight the challenges faced by the project to have a successfully inter-linked cross-border and inter-bank settlement systems that will support and facilitate regional economic activity, particularly the flow of trade and macro-economic convergence initiatives in the region.

The concept of the payment, clearing and settlement systems is discussed below to put into context the contribution made by payments system towards the economic development.

1.3. The concept of payment system

1.3.1. The national payment system and the financial system

The national payment system (NPS) is well integrated into the banking and financial system as illustrated below.

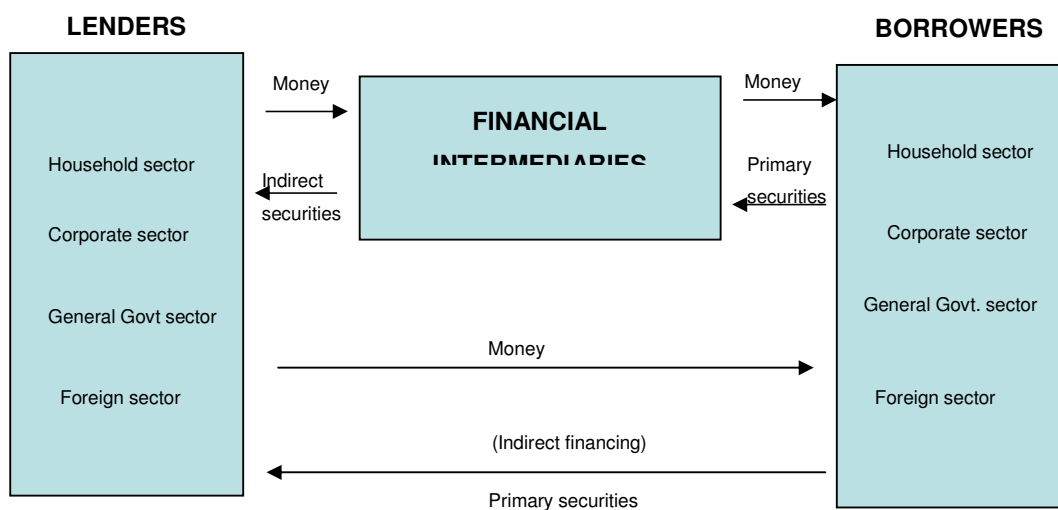


Figure 1.1: The elements of the financial system (adopted from Falkena, Fourie & Kok (eds.), 1989: 201).

Figure 1.1 shows the three main elements of the financial system, namely lenders (referred to as surplus economic units), financial intermediaries (mainly banks) and borrowers (referred to as deficit economic units).

The arrows on the illustration reflect the interaction of these elements. Funds transfer between lenders and borrowers could take place either directly with both counterparties (lenders and borrowers) or through a financial intermediary. Financial intermediaries are mainly banks.

A financial system is briefly defined “as a complex set of arrangements embracing the lending and borrowing of funds by non-financial economic units, and the intermediation of this function by financial institutions to facilitate the transfer of funds, to provide additional money when required and to create markets in debt in order that the price of funds could be determined efficiently” (Falkena, Fourie and Krok (eds.), 1989: 200).

It is in this realm that the NPS plays a pivotal role in the funds transfer system between counterparties. In this regard the NPS is understood to be “a set of mechanisms for the transfer of money among agents. Its constituent elements comprise the institutions providing payment services, the various forms of money, the means of transferring them, including message instructions and communication channels, and the contractual relationships linking the parties concerned” (Borio & Van der Bergh, 1993: 8).

In a market economy the national payment system can be reflected in context of a country’s economy as illustrated in *figure 1.2*.

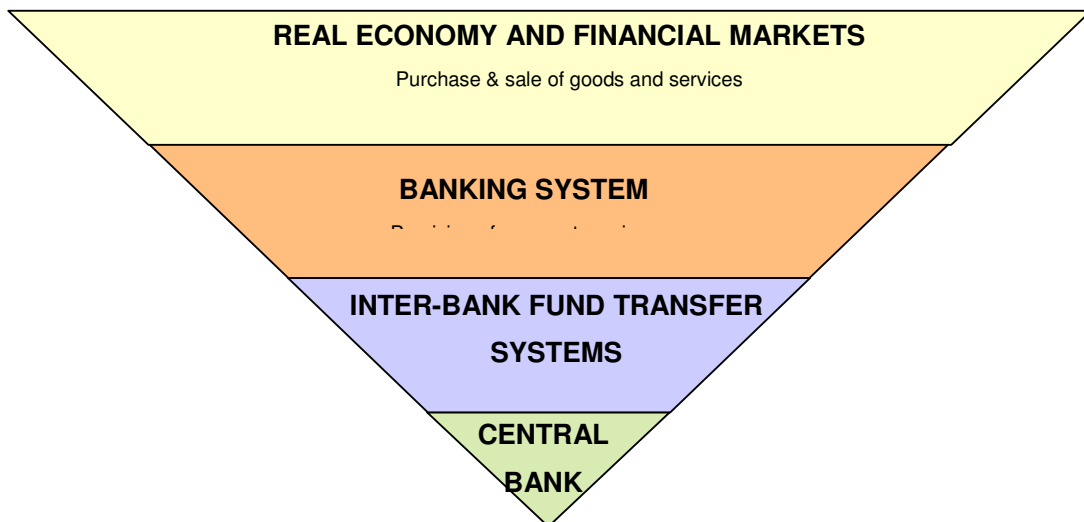


Figure 1.2: The NPS in the context of the economy (adopted and adapted from the document: *The South African National Payment System – Framework and Strategy, November 1995, South African Reserve Bank: 10*).

According to the document, *South African National Payment System Framework and Strategy (1995)*, any country’s economy can be depicted as a series of layers in an inverted pyramid, in which each layer is supported by all layers beneath it. The broadest layer of the pyramid represents the real economy and the financial markets – the buying and selling of goods and services throughout the nation. It is supported by the country’s banking system – the next level of the pyramid – that provides payment services. The third level consists of a limited number of inter-bank fund-transfer systems through which payment transactions are processed. The final settlement of payment transfers takes place across the accounts, which banks hold with the central bank, whose role is pivotal for the effective functioning of economy as a whole (www.reservebank.co.za).

1.3.2 The banking system and payment systems¹

The banking system is intertwined with the payment system. Banks are the providers of payment services in the market economy. Blommeistein & Summers (1994:15) paint a picture on the role of banking in relation to the payment system by highlighting that “a modern market economy is often

¹ Much of the information in this section as well as sections 1.3.3 to 1.3.4 is based on Bloemstein & Summers, 1994 as fully cited under references.

described as having a two-tier banking structure. Under the two-tier banking structure, commercial banks provide services to non-banking public, including non-bank financial firms as well as other commercial banks. The central bank, in turn, provides services to commercial banks and issue bank notes and coins (currency) and loans (bank assets)". Commercial banks accept deposits from their customers and maintain accounts for them.

Payment services are directly related to the deposits, loans and associated account services that banks provide to their customers.

Payment services include the transfer facilities for moving deposit money from one account to another. Attributes of funds transfer facilities include reliability, speed, low cost and the provision of good records of transactions for the benefit of banks customers. Additionally, banks must provide conversion facilities to allow their customers to make and receive payments using deposit money in a variety of forms (payment instruments) that are readily convertible with each other and with currency (Blommeistein & Summers, 1994).

Commercial banks strive to meet the needs of their customers by acting as both the originators and receivers of payments.

1.3.3 The inter-bank account relationships

Different means to make payments, referred to as payment instruments, are availed to the bank customers for transferring deposit balances held in commercial banks. Examples of payment instruments include credit or debit instruments, which could be a paper payment instrument, such as cheque or electronic instruments, using the point of sale (POS) devices and automated teller machines (ATMs).

Bank customers make payments arising from their business or private dealings with their counterparties. When a payment is required from such dealings, the deposit money resident in their accounts in banks is used. The

parties could have bank accounts in different banks. When payments are effected, this will result in inter-bank obligations when these payments are cleared among different banks.

Banks would exchange currency or cash deposited by their customers to discharge their obligations. This means that a bank has to take the money off the customer's account that has to make payment to another party and deliver this money to the beneficiary or recipient bank.

The inter-bank obligations arise from customer payments, which could be settled in three different ways. First, banks can exchange currency to discharge their obligations, which is generally risky and could be inefficient when a large amount of money is exchanged. Second, banks can settle with each other by transferring ownership of funds they hold in bilateral accounts. Third, banks can settle their obligations with each other by transferring ownership of balances in accounts they hold with a third party, which could be another bank or a central bank (Blommeistein & Summers, 1994).

The settlement of cross-border obligations could be achieved in one of the methods described above. However, this will depend on whether one bank holds an account with another bank in another country. If the first bank (for example Bank A) holds an account with a second bank (Bank B) residing in another country, Bank A will refer to Bank B as nostro bank and refer to its account as a nostro account. Bank B refers to Bank A as vostro bank and its account as a vostro account. The obligations between them (i.e Bank A and Bank B) will be settled using the second and/or third method described above.

The above relationship applies only to banks in a bilateral relationship. However when there are more than two banks in the settlement of obligations, there is a need to use a third party for the purposes of settlement. The general and preferred practice is that the third party should be a central bank.

1.3.4 The role of a central bank in inter-bank settlement

Central banks are established in terms of a country's statutes and therefore empowered to execute a number of functions, such as issuing bank notes and coin. A central bank can also serve as a banker of commercial banks. When a central bank is involved in the settlement of inter-bank obligations, it establishes terms and conditions for the settlement including the opening and maintenance of accounts of these banks (Bloemeitein & Summers, 1994).

For efficiency and the requirements for secured payment system, a number of important factors are considered, analysed and applied. These include the legal framework, business processes, best practice and standards and qualifying criteria for membership and institutional conduct in the national payment system.

It is in this manner that a payment system is defined as consisting of a defined group of institutions and a set of instruments and procedures used to ensure that circulation of money within a geographical area, usually a country. A national payments system is viewed as an infrastructure and provides the highways for processing payments resulting from various economic activities (South African Reserve Bank, 1995).

1.3.5 The impact of the national payment system to the economy

The importance of the national payment system and the role of the central bank are vital in the management of the economy in a country. The Committee on Payments and Settlement Systems in the Bank for International Settlements (BIS CPSS) highlights this importance as follows:

“The national payments system is central to the effective implementation of monetary policy, using money market transactions to influence overall financial and economic activity. In addition, developments in the payment system can affect the speed and predictability of the turnover of monetary balances, which may influence the overall demand in the economy” BIS CPSS, 2006: 1).

1.4 Problem statement

Although the SADC payment system project has clearly defined objectives that guide its direction and progress, it has been noted that SADC regional economic integration initiatives tend to fade to oblivion or that their impact is not sustainable (Masemola, 2005). This is due to challenges that relate to the lack of commitment by all member states, particularly those that lack the capacity to stay abreast of the integration initiatives. This could stifle the progress that is being made.

The challenges are not only subjected by the political decision-makers but take various forms as influenced by the realities in the region. Some of these realities and experiences specifically related to the modernisation of payment, clearing and settlement systems include

- continuity of the county-specific teams that facilitate the modernisation initiatives;
- capacity and shortage of necessary skills in payments systems related areas. This includes clearly designated structures (organisational structures) to maintain the momentum for the development and to harness the systems once implemented;
- the influence of external consultant/vendors;
- competing and often duplication of efforts by foreign fund agencies and/or donors;
- the state of communication and power-supply infrastructure;
- disparities in technologies used by banks in member countries that also impact on inter-operability;
- the supportive legal and regulatory frameworks;
- indirect influence of political regimes in the development initiatives;
- differing levels of economic development among the countries in the region;
- the extent to which each country has a market economy or a centrally planned economic system;
- the extent of contribution of the flow of trade within the region, and

- the influence of exchange control regimes.

In light of the above, successful implementation of the regional cross-border and inter-bank settlement system is faced with a number of challenges.

It is against this backdrop that the purpose of this study is to highlight and examine some of the challenges mentioned above and which face the project's second main objective, that *of defining a co-ordinated regional approach to cross-border payments and inter-bank settlement systems*. The SADC Payment System Project's objectives are stated in Chapter 2 under paragraph 2.3.

1.5 Objectives of the study

The objectives of the study are to

- determine the extent to which a generic theoretical strategic management process was applied in the implementation of the modernisation process of the regional payment systems within each member country;
- identify and examine the factors that pose challenges that could delay the successful implementation of the SADC cross-border and inter-bank settlement systems; and
- make recommendations where applicable.

1.6 Definitions and clarification of the concepts

National payment system: A payment system consists of a defined group of institutions and a set of instruments and procedures used to ensure the circulation of money within a geographical area, usually a country. It forms an integral part of the monetary system of a market economy (European Central Bank, 1995).

Cross-border transactions: These are a part of payment system. However, they involve two or more countries to facilitate or enable trade. Cross-border

transactions are concerned with the transfer of monetary value. The basic example of money transfer mechanism is achieved through a correspondent banking relationship, where a bank in one country opens an account with another bank in another country. These banks will then effect transactions (of monetary value) through opened accounts. In this manner the monetary value is transferred across international boundaries. (Standard Bank: 2007)

Regional economic bloc: Economic integration involves the organising of individual countries into groups that abolish restrictions on the trade of goods and services with member countries and engage in other activities that promote their citizens welfare. There are generally four types of economic integration, namely free trade area, customs union, monetary area and full or complete economic integration. (Daniels and Radebaugh, 1998: 283).

Market economy: In a market economy, two societal units play important roles: The individual and the company (firm). Individuals own resources and consume products. Firms use resources and produce products. The market mechanism involves an interaction of price, quantity, supply and demand. The most important characteristic of the market economy is the individual consumer sovereignty, the right of the consumer to decide what to buy and the freedom of the enterprise to operate in the market (Daniels & Radebaugh, 1998).

Centrally planned economy: The government co-ordinates the activities of different economic sectors. The government decides how much the enterprise should produce. In this type of the economic system, the government is assumed to be the better judge of how resources should be allocated than businesses or consumers (Daniels & Radebaugh, 1998).

Regional economic integration: It refers to agreements among countries in a geographic region to reduce and ultimately remove tariffs and non-tariff barriers to the free flow of goods, services and factors of production between each other (Hill, 2003).

1.7 Delimitation of the study

The Summit Meeting of the Heads of states set out long-term goals and objectives to satisfy the vision of the SADC region. A variety of programmes were developed and the Regional Indicative Strategic Development Planning (RISDP) document was formulated to direct the implementation of these programmes. There were a number of different focus areas or programmes, such as the Food, Agriculture and Natural Resources (FANR), Trade, Industry, Finance and Investment (TIFI), Infrastructure and Services (I&S) and Social and Human Development and Special Programmes (SHD & SP). All these focus on harmonisation initiatives intended for full regional economic integration.

The SADC Payment System Project within the broad TIFI programme is at the micro-implementation level of the broad SADC integration initiatives as set out in the RISDP.

The study focuses on the modernisation and harmonisation of regional payments systems.

The key intervention area under the Trade, Industry, Finance and Investment (TIFI) operational plan aims for the attainment of deeper monetary cooperation. Within this area a number of outputs and activities are tabulated and include: (a) The framework for exchange rate stability, which include currency convertibility; (b) operationalisation of payment; clearing and settlement systems; (c) the implementation of best banking practices and standards; and (d) the development legal and operational framework for SADC central banks and regional central banks activities.

The study does not attempt to cover all the key output areas as indicated above. The researcher has therefore elected to focus on the modernisation and harmonisation of payments, clearing and settlement systems, with a specific emphasis on the payment system project as described in this report. This is an important area in that it is one of the main contributors in facilitating economic development in the region.

1.8 Importance of the study

The researcher aims to highlight one of the SADC regional development initiatives among a number of initiatives covering a wide array of focus areas that are currently underway. The researcher hopes that this report will create awareness of the challenges that are facing initiatives towards the building of the common future for the region, especially the “on-the-ground” programmes that are charged with the implementation of the determined strategies.

It is hoped that the recommendations emanating from the study will go a long way towards making the SADC region vision a reality.

1.9 Outline of the research report

Chapter 1 paints a brief background to the SADC region. It also discusses the rationale and the purpose of the study including the objectives. The objectives are to describe the strategic management process adopted by the SADC Payment System Project and to explore challenges facing the successful implementation of cross-border and inter-bank settlement systems in the region.

Chapter 2 provides a much wider background on the SADC payment system project and its relationship with the whole regional integration initiatives. There is also an attempt to describe the strategic management process, with an emphasis on the strategy implementation as adopted by the SADC payment system project. The aim is to reflect how the strategic management theory is translated into practice.

Chapter 3 discusses the literature review on a generic strategic management framework or model. This information is gleaned from various strategic management literature sources. This culminates in a suggested model by the writer. An emphasis is made that the suggested framework is not a one-size-

fits all model due to the different applications of the strategic management process in different organisational formations and industries.

Chapter 4 discusses the research methodology. The emphasis is on case study research strategy, exploratory and descriptive research approaches.

Chapter 5 discusses the summary of responses as collected through a formal questionnaire from the selected target population. The summary is reflected by the pie graphs.

Chapter 6 makes discussions, conclusions based on the responses. The chapter is concluded by recommendations where applicable.

CHAPTER 2: FOUNDATION OF THE STUDY

2.1. Introduction and background

The development and modernisation of the SADC cross-border and inter-bank settlement systems is facilitated through the SADC Payment System Project. This Project is one of a number of projects under the aegis of the SADC Committee of Central Bank Governors. The aim of these projects is to meet the objectives set out by the 1992 Meeting of the Heads of the member countries. The Bank for International Settlements (*BIS*) *publication number 30* (1999: i) sums this in the box below.

Box 1: “An introduction by the Chairman of the Committee of Central Bank Governors of the Southern African Development Community”

“In August 1992, a revised Treaty for the Southern African Development Community (SADC) was approved by a Summit Meeting of the Heads of State of the participating countries. Included in the objectives of the Community are the following economic goals:

- to achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa, and support the socially disadvantaged through regional integration;
- to promote and maximise productive employment and utilisation of resources of the region; and
- To achieve sustainable utilisation of natural resources and effective protection of the environment.

When South Africa was given the special task of administering the Finance and Investment Protocol for SADC, the South African Reserve Bank saw in this arrangement an opportunity for cooperation amongst the central banks of the region and the SADC Committee of Central Bank Governors was subsequently established. In drafting its mission statement the Committee designed a model for financial cooperation that was described as the “bottom-up” approach.

The broad strategy of the SADC Committee of Central Bank Governors is based on the premise that a sound financial basis must first be laid within each of the participating countries before it can be extended to the region as a whole. At this stage, the main objective is therefore to learn from each other and to help each other to create appropriate structures for the central bank, the private sector reforms introduced in each country must, however, even at this stage, take cognisance of the development needs of the region, and the long-term objective of a more coordinated and integrated regional financial sector. This is regarded as the main contribution the central banks should make to the expansion of trade and investment, and to improve living conditions for the approximately 136 million people of the region.

The SADC Committee of Central Bank Governors is determined to gradually implement its plan for greater financial co-operation over the next few years in the whole region. The Committee has already embarked on the implementation stage and is now actively involved in a number of ground-work projects such as the SADC Payment System Project.

The objective of the project is to assist individual countries in SADC in defining a payment system strategy and development plan for their country."

The SADC regional top structure is depicted by *Figure 2.1²* below.

The gradual implementation by the SADC Committee of Central Bank Governors is being conducted through different projects, of which the SADC payment system project is one. Each project has its own objectives that guide its mandate. The SADC payment system project is discussed under paragraph 2.3.

² Adopted from the Internet website www.sadc.int

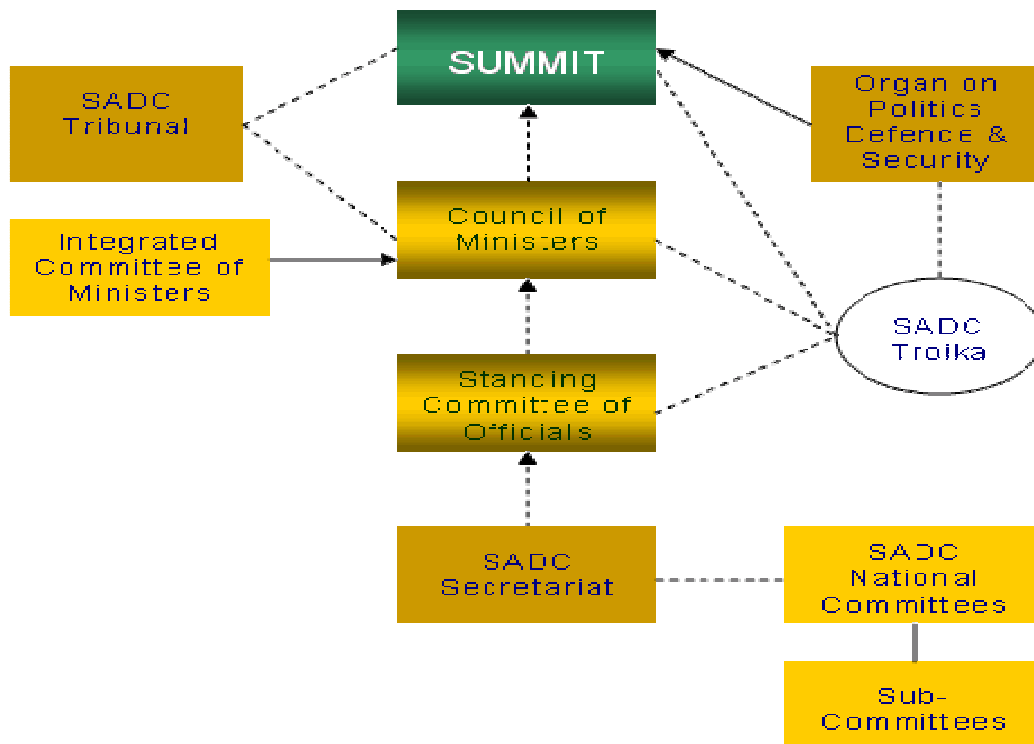


Figure 2.1 SADC Top-level structures

The summit comprises heads of states, followed by the Council of Ministers that report to the Summit. Further levels of the structure include committees and the SADC Secretariat, which is involved in the administration of the various programmes.

The SADC vision is articulated as that of

“...a common future, a future in a regional community, that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice and peace and security for the people of Southern Africa” (www.sadc.int).

The heads of member countries delegate responsibilities to respective ministries of their countries. These responsibilities are further delegated down the line of responsibility to relevant departments. The trade, industry, finance and investment (TIFI) is responsible for creating a conducive environment for market growth and competitiveness. Its vision is

“...a reputable, efficient and responsive facilitator and promoter of economic policy framework for regional market integration” (www.sadc.int).

The finance and Investment sector diagram below depicts the relationship and the position of the SADC payment system project in this realm *Figure 2.2*).

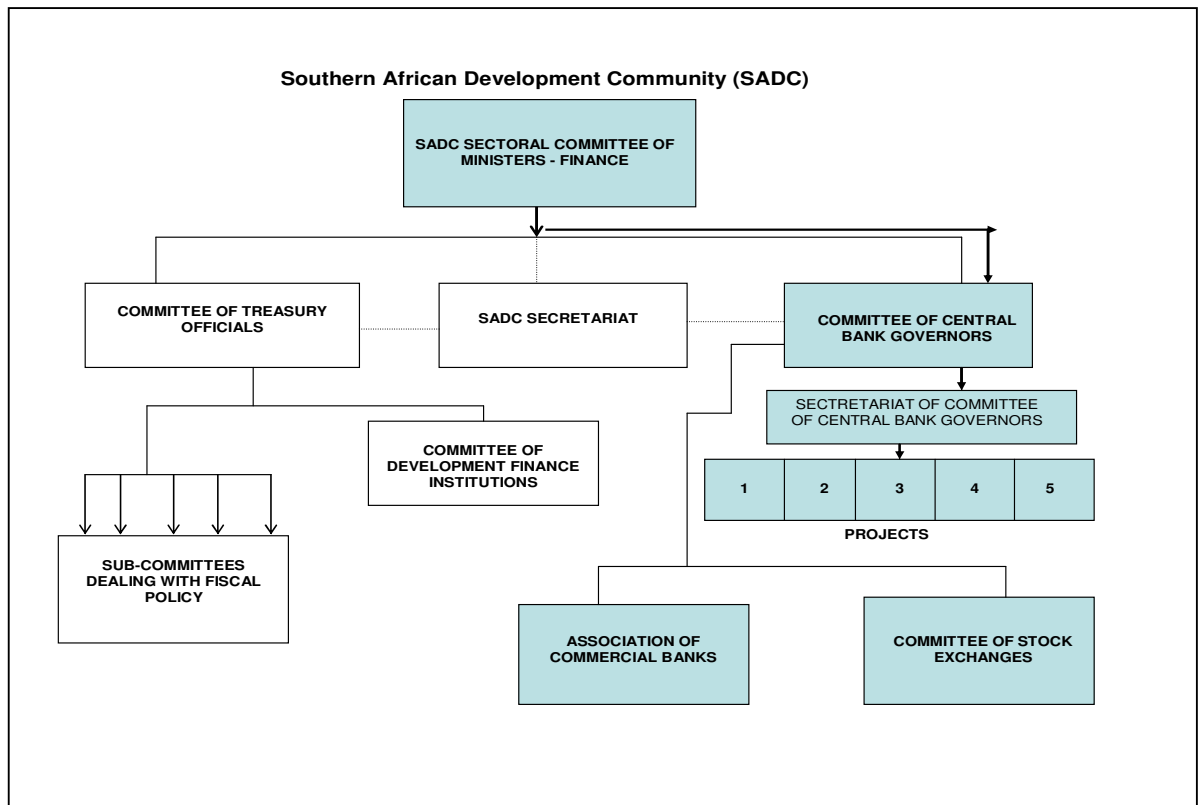


Figure 2.2: Diagrammatic representation reflecting the position of different projects under the aegis of the Committee of Central Bank Governors in SADC.

On the diagrammatic illustration above, the thickened lines with arrows through the shaded blocks reflect how the responsibilities affecting the SADC payment system project are delegated down from the governments (largely finance ministries) through the central banks.

The SADC Committee of Central Bank Governors (SADC CCBG) is chaired by the Governor of the South African Reserve Bank. The SADC CCBG

administers different projects through the SADC CCBG Secretariat. The programmes (of which the SADC Payment System Project is one) are depicted by numbers one through to five on the illustration. The programmes are therefore intended to support the initiatives of meeting the TIFI vision, that of facilitating and promoting economic policy frameworks for regional market integration.

2.2. The Regional Indicative Strategic Development Plan (RISDP)

A working document the *Regional Indicative Strategic Development Plan (RISDP)*, see *Annexure 2* was developed after the extra-ordinary Summit meeting held in 2001. The RISDP is an instrument that is intended to provide a clear direction for the SADC policies and programmes that are to be implemented over the long term.

The RISDP was approved by the SADC Council of Ministers and endorsed by the Summit in 2003. After approval, the SADC Secretariat started working on the implementation framework, which involved the ranking and prioritisation of regional co-operation and integration intervention areas (Kalaba, Willcox, Fundira, Williams & Phillips, 2006).

TIFI is one of the four main areas identified by the RISDP for policy-intervention. Policy co-ordination necessitated that there has to be a deeper macro-economic convergence. This resulted in the memorandum of understanding being agreed to by the member states. A number of issues and conditions were agreed to including principles of macro-economic stability and convergence, indicators to measure macro-economic stability and convergence, supply of data and applicable information by member countries and allocation of responsibilities for implementation (Kalaba, et. al. 2006).

Within the TIFI, the policy objectives of the finance and investment sector were formulated. "The strategies for achieving the policy objectives for finance and investment include the pursuit of macroeconomic convergence, cooperation in direct and indirect taxes, liberalisation of capital and current

account transactions, reform of payments systems, resource mobilisation through development finance institutions and other entities and improving incentives for investments” (Kalaba, et al, 2006: 38).

The scope and purpose of the RISDP as provided in the document are “to provide a strategic direction with respect to SADC programmes and strategies for achieving its long-term goals” (www.sadc.int).

In essence, the RISDP’s scope and purpose is reflected in the box (*Box 2*) below:

Box 2: “Scope and Purpose of the RISDP”

“The focal of the RISDP is to provide strategic direction with respect to SADC programmes and activities, and to align the strategic objectives and priorities of SADC with the policies and strategies for achieving its long term goals. The RISDP is indicative in nature, merely outlining the necessary conditions that should be realised towards achieving these goals. In order to facilitate monitoring and measurement of progress, it sets targets and timeframes for goals in the various fields of co-operation.

The purpose of the RISDP is to deepen regional integration in SADC. It provides SADC member states with a consistent and comprehensive programme of long-term economic and social policies. It also provides the Secretariat and other SADC institutions with a clear view of SADC’s approved economic and social policies and priorities”.

The TIFI medium-term priorities (see *Annexure 4*) under the finance, trade and investment include a number of actions that are to be achieved, including the “operationalisation” of payment, clearance and settlement systems. However, the major milestones indicated in the RISDP, affecting finance and investment include the following:

- 2010: The Customs Union is established
- 2014: Common Trade Policy formulated

- 2015: Common Market is established
- 2016: SADC Central Bank is established
- 2016: SADC Monetary Union is established
- 2018: Regional Currency for the SADC Monetary Union is established.

Notwithstanding the above targets, there are a number of fundamental development challenges in the region, which have important implications for regional integration. Some of these include political instability in some member countries and levels and / or the pace of economic development as well as poor economic growth in others. As Hartzenberg & Erasmus (2006) note: “These developments provide political space to acknowledge that the RISDP targets are not realistic and may even be inappropriate for deeper integration in Southern Africa” (www.rta.tralac.org).

2.3. The SADC Payment System Project

The SADC Payment System Project was launched in 1996 by the SADC Committee of Central Bank Governors (SADC CCBG) to implement its plan for greater financial and deeper monetary co-operation.

As indicated in the first chapter, the SADC payment system project is one of a number of projects under the SADC CCBG aegis. The project strives to develop and harmonise the regional payment, clearing and settlement systems. It is guided by the main objectives, which are to:

- assist individual SADC countries to define a domestic payment system strategy and a development plan; and
- define a coordinated regional approach to cross-border payments, taking into consideration the implications for trade, central bank policy, foreign exchange positions and controls.

The relationship of the project in the Finance and Investment Protocol can be traced from its position in relation to the SADC CCBG. This relationship is depicted on *Figure 2.3*³.

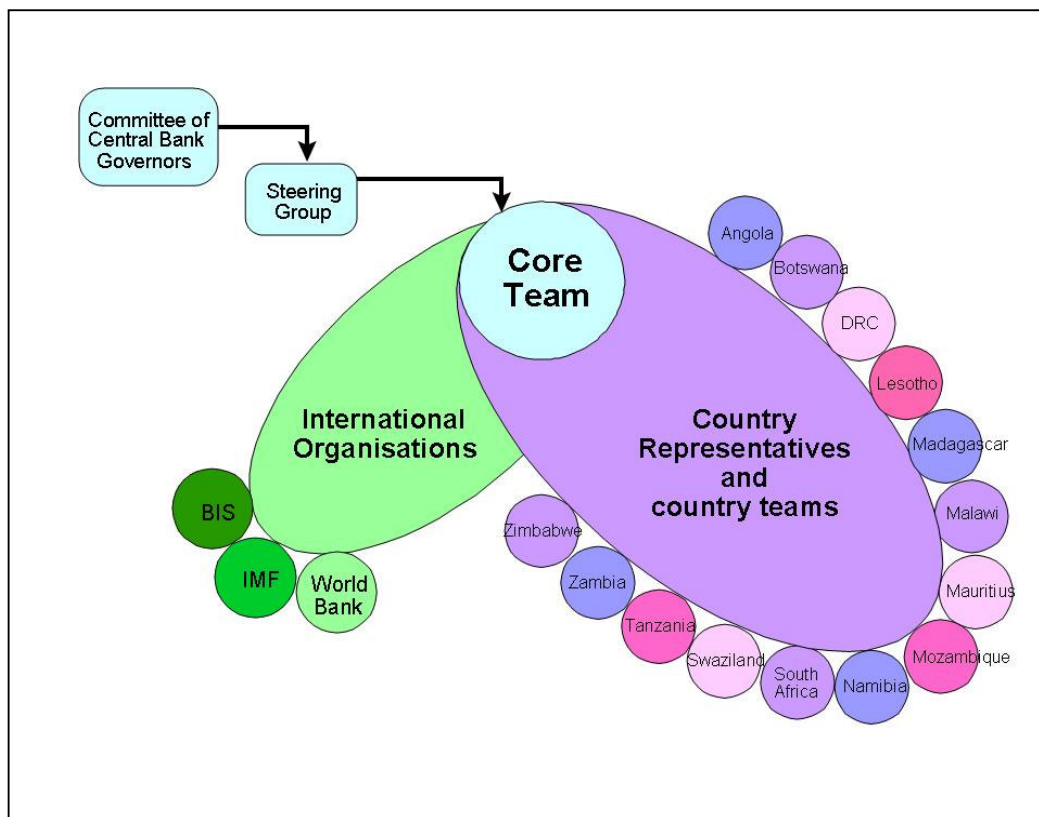


Figure 2.3: *The SADC Payment System Project Structure (adopted from the unpublished Project Close-out Report dated 2006).*

The illustration reflects that at the top, there is SADC CCBG followed by country representatives who form a steering group. The steering group reports to the SADC CCBG on issues relating to the progress of the SADC payment system project. The members of the steering group are senior central bank officials who, in addition to other responsibilities within their central banks, ensure that the developments and related activities are executed in accordance with the programme’s action plans.

³ Reproduced with the permission of the SADC Payment System Project Leader. See also www.sadcbankers.org

Further to the illustration, member states are represented by country teams, which are charged with different tasks in the development initiatives in their respective countries.

The “core team” based in the South African Reserve Bank, whose main tasks are to facilitate and/or co-ordinate the activities of the programme and to ensure that the progress is on track. The core team also maintains relationship with international institutions, organisations and international agencies on payment-system related matters. Such matters include issues around the funding and engaging of payment-system experts to assist in the regional development initiatives, for example training and sharing of information. These organisations and institutions include, the Bank for International Settlements (BIS), International Monetary Fund (IMF), The World Bank and other central banks in the developed economies.

2.4. The SADC Payment System Project modernisation

2.4.1. Introduction

One of the objectives of this study is to determine the extent to which generic theoretical strategic management process constructs were applied to the project. The project purports to have adopted a strategic management approach to develop and harmonise the regional payments to meet their objectives. The first objective *of the project is to assist individual SADC countries to define a domestic payment strategy and a development plan.*

Although it (the SADC Payment System Project) has to develop its own long-term plan, this plan has to be in line with the grand vision and strategies that are at a higher level, that is, at the SADC Secretariat level. The upper level pertains to a holistic view of regional integration. This is one of the main principles that the strategic management process pertains to a comprehensive plan that states how an organisation will achieve its mission and objectives (Hunger & Wheelen, 2003). Further down the echelons of the organisation, all levels of management are responsible for executing the strategy as set out from the top through functional structures. The checks and

balances are reinforced by monitoring, evaluation and control for effective continuous improvement. This is reflected by the SADC Secretariat in applying the RISDP as an instrument for effective delivery.

The project's "core team" recognises that in a given country there has to be a strategic intent for the national payment system to be robust and satisfy the needs of a country. The strategic intent will enable an assessment of the progress made on the modernisation process. Macmillan & Tampoe (2000) view the strategic intent as concerned with ends and means, which combines a vision of the future with intent to make that vision a reality.

There are different approaches to the strategic management process as briefly highlighted by Toft (2000) to be:

- ⇒ strategic audit (dealing with fact finding), formal strategic planning (this is viewed as the foundation on which many of the strategic management approaches have evolved);
- ⇒ adaptive planning and implementation strategy, which emphasises action orientation;
- ⇒ strategic management training on the understanding that by preparing management at the levels of strategic thinking and management, a more effective organisation will ensue;
- ⇒ team building and corporate culture development, using established organisational development methods and transformation techniques; and
- ⇒ the stakeholder approach, which augurs well with the management of the external environment. It gives due emphasis on external factors and to strategic alliances to organisations.

Additionally, the strategic management process should be adapted to suit the influences or a number of factors that impact on it, such as the type of industry in which the organisation operates, core business focus, whether an organisation is a public or private entity and whether an organisation was established to execute a specific programme, such as the SADC Payment

System Project (Aaker, 2003; Thompson & Strickland, 2003; Hunger & Wheelen, 1996).

From the forgoing, it is noted that the strategic management process should include, to a greater extent, generally accepted elements of the strategic management process, which are vision and mission (a general scope of work, product line and market), comparative advantage (competitor analysis, assessment of strategic resources, strengths and vulnerabilities), goals and objectives, critical success factors, shared values (corporate culture and shared values) as well as action orientation (Toft, 2000).

Although the SADC Payment System Project is an implementation tool to modernise regional payment systems, the discussion in describing the strategic management process in relation to the project's modernisation programme endeavours to cover a number of elements within the generic strategic management framework as gleaned from various sources.

2.4.2. Vision and mission

Vision and mission refer to a general scope of work that is to be performed as well as the product line and the market (Toft, 2000). Vision is the state of the affairs that the organisation would ideally like to see itself into the future (Courtney, 2002) and should be responsive to the changing conditions (Steiss, 2003). Additionally it is seen as a prerequisite for effective leadership and a direction setting tool (Thompson & Strickland, 2003).

Aaker (1998) asserts that a vision can guide strategy, suggesting strategic paths for the business. It also serves a variety of purposes such as that: First, it can ensure that the core competences are reserved, and secondly, it can inspire those in the organisation by providing a purpose that is worthwhile.

Pearce & Robinson (1997: 29) note that a mission is designed to accomplish a number of outcomes, such as to ensure unanimity of purpose within the organisation, to provide the basis for motivating to use organisation's resources, to establish a general tone or organisational climate and culture

and to facilitate the translation of objectives and goals into a work structure involving the assignment of tasks to responsible elements within the organisation.

With the above in mind, it becomes a challenge to make a differentiation between a vision and mission. The researcher understands that these concepts could be applied interchangeably in practice. In brief the vision is a future or ideal state which the organisation strives to achieve. However a mission, according to Pearce & Robinson (1998), is a broadly framed statement of the organisation's intent.

The overall vision and mission for the SADC region is articulated as that it is a "common future, a future in a regional community, that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice and peace and security for the people of Southern Africa" (www.sadc.int).

For the project to effectively implement the vision it has to have its own vision and mission that should complement the grand vision of the region. The SADC payment system project's vision states thus:

"Each country has an efficient and effective payment system that is internationally acceptable and is interlinked within the SADC region and supports the aims of free trade within the SADC region" (SADC Payment System Project, 2006:4. See also www.sadcbankers.org).

Frisch (1998) notes that a vision is not an easy practical concept. He goes on to emphasise that the vision should be based on facts and not speculation and should produce results. The results produced by the SADC payment system project are summarised in *Figure 2.4*.

2.4.3. Strategic analysis

The purpose of strategic analysis is to determine the impact on the organisation of both external and internal environmental factors. The analysis

should culminate in the formulation of applicable strategies that an organisation could consider.

This is echoed by de Kluyver & Pearson (2006) that strategic analysis of external and internal environmental forces is sufficient in determining the strategic changes that a company or any organisation should consider. Steiss (2003) also notes that organisations conduct assessment of the challenges that are likely to confront them. Organisations should then devise appropriate strategies to respond to these challenges.

Generally, the external environmental factors are referred to as “PESTLE” (Courtney, 2002), which are political, economic, social, technological, legal and environmental. The assessment involves the analysis of developments and trends which impact on the PESTLE factors. Added to the PESTLE factors, are physical or geographic, culture, and the ecosystem factors that need to be taken into account.

Depending on the nature of the business that an organisation is engaged in, internal analysis could take various forms. There are two broadly-based internal factors that are identified by Pearce & Robinson (2003), namely SWOT analysis and functional analysis.

SWOT analysis broadly refers to strengths, weaknesses, opportunities and threats. The advantage of SWOT analysis is that it involves the analysis of both the external and internal environments in that “it is based on the assumption that an effective strategy derives from a sound ‘fit’ between a firm’s internal capabilities (strengths and weaknesses) and its external environment (opportunities and threats)” (Pearce & Robinson, 1997: 170-171).

Company strength is referred to by Thompson & Strickland (2003: 117) as “something a company is good at doing or a characteristic that gives it enhanced competitiveness”. Strength could be skills supported by experience curve, valuable physical assets, human capital and intangible assets such as brand name and/or reputation.

Thompson & Strickland (2003: 119) assert that when an organisation's internal and its ability to mobilise these strengths "in a manner calculated to result in competitive advantage are the biggest determinants of how well the company will be able to perform in light of the prevailing industry and competitive conditions".

Company weaknesses refer to deficiencies in competitive skills, lack of competitively important physical and intangible assets. These are therefore shortcomings that a company may need to address to fulfil its mission.

The strategic analysis conducted by the SADC payment system project focused on how the vision should be met. Extensive consultation with stakeholders in each member country was made. The documentation on "stocktaking" to highlight the (1996) state of affairs was produced. The stocktaking document contains such elements as the banking network per country, payment-system skill levels, organisational structures supporting the national payment system, the type of payment system instruments mainly used and whether such systems were automated or not. The skills profiles were conducted using external consultants to assess the capability level of involved personnel if they would be in a position to drive the modernisation programme forward. The assessment involved skills related to payment system, such as, management skills, business analysis, project management and strategic management.

The above analysis indicated that internal analysis as part of the strategic analysis plays a crucial role in the strategic management process. Internal factors include tangible assets, such as the financial and human resources.

As indicated in the foregoing paragraph, intangible assets such as the reputation and accumulated experience should be taken into consideration in strategy analysis. Combining both tangible and intangible assets of the organisation results in organisational capabilities and reflects the organisation's ability to combine assets, people and processes (Pearce & Robinson, 2003). The SADC payment system "core team" noted a

remarkable challenge, especially in the mobilisation of sufficient payment-system related skills in the region. It was clear that a drive to emphasise training was imperative.

Although the nature of the project does not necessarily require robust external environmental analysis to gain competitive advantage, it is worth mentioning that the SADC region offers a variety of challenges as exacerbated by the expansive size of the region. Added to this are differing official languages such as Portuguese, French and English. This is due to the political legacy left by the colonising countries from Europe. This further impacted on the political and business cultures of these countries in the region.

The physical environment also poses its own challenges. These are noted by the climatic patterns in the sub-Saharan region leaving some member countries in semi-desert state. The heat wave, which is generally attributed to global warming, has impacted on agricultural farming affecting output. Such farming could be seen largely as subsistence in the many parts of the SADC region.

The political influences have led to the governance of some of the member countries to be affected grossly in social relationship patterns. This is further exacerbated by generally low literacy levels in the region.

Economic development takes place in pockets, that is, around large towns and cities in some of the member countries, leaving the rural communities in neglect state and poverty. This could impact on the calculation of the gross domestic product (GDP), which is used as a good measure of economic development. The low level of economic development in some member countries in the region is manifested by a dependence of some of these countries largely on foreign aid.

All the above factors are bound to influence the pace of the modernisation process, especially the inter-linking of cross-border and inter-bank settlement systems in the region.

2.4.4. Strategy formulation and selection

Strategy formulation follows from the strategic analysis process, whose main object is to generate strategic alternatives and provide criteria for selecting appropriate strategies (Aaker, 2005). Appropriate strategies could be identified by using the needs and expectations of the stakeholders (Courtney, 2002).

Strategy formulation goes hand in hand with long-term objectives. These support the mission as the focus is on the long term. The strategy to be selected should support the sustainable focus areas to make a project a success (Pearce & Robinson, 2003).

Most companies that focus on the growth of business and profitability would look into sustainable competitive advantage and incorporate issues of cost containment or cost leadership, differentiated product or service offering (Pearce & Robinson, 2003) and/or engage in pre-emptive move strategies (Aaker, 1998). Pre-emptive move strategies involve introducing a new strategy that is new to a business area and is seen to have comparative advantage to the company introducing it. This could be a result of technological leadership that has been introduced (Aaker, 1998).

The SADC payment system project focuses on meeting stakeholder expectations and for the benefactors to note the progress and difference made by the programme. The stakeholders and/ or benefactors are the SADC CCBG and the World Bank, which provided funding for the project until 2006.

The sensitisation process by the SADC payment system project was an initial step to determine the needs and expectations of involved stakeholders. The state of the payment systems in each member country were discussed and assessed against best international practice. Workshops were conducted in each country facilitated by the “core team” and assisted by payment system experts sourced from different institutions such as the BIS and other central banks from the advanced economies.

The process of the workshops conducted with stakeholders was in essence a strategy formulation process. The conclusions and recommendations emanating from such workshops formed the basis on which proper strategy for a country was formulated.

The above process is highlighted by Bryson (2004) in asserting that strategy may be thought of as a pattern of purposes, policies, programmes, actions, decisions and resource allocation.

2.4.5. Strategy implementation

It has been indicated in this research report that the SADC payment system project is viewed as the implementation tool of broader programmes identified by the SADC Secretariat through the RISDP.

The implementation of strategy has its own challenges as, several literature sources have observed that strategy implementation is an elusive phenomenon (Bourgeois & Brodwin, 1984) as there are no mutually exclusive forms of implementation. Any organisation will engage a variety of models or tactics to strategy implementation. Nutt (1986) also notes that procedural steps of implementation are difficult to specify because implementation is ubiquitous.

Various sources in strategy implementation take into account organisational resources with specific reference to the organisational structure. Organisational structure defines lines of authority and communication. It also specifies the mechanisms by which organisational tasks and programmes are accomplished (Aaker, 1998).

Zagotta & Robinson (2002) note that most companies do have the know-how and insight to the creation of strategy. However, a holistic approach is necessary, which includes tools for turning strategy into an execution process. Additional consideration according to Zagotta & Robinson (2002) should include quantifying the vision, communicating the strategy through

short and meaningful phrases, planning for results and opening the strategy to the organisation.

Strategy implementation also depends on the attitude and actions of the leaders and managers. Waldersee & Sheather (1996) assert that personality is the primary determinant of strategy implementation. Waldersee & Sheather (1996: 105-106) support this by mentioning that “different strategies require different manager behaviours that managers and strategy should be matched on the basis of personality”. This, however, could pose some challenges for organisations in view of limited resources.

Kaplan & Norton (2005) noting that a strategy in many organisations is almost completely disconnected from execution, suggest that a specific unit charged with the responsibility for the implementation of strategy should be convenient focal point for ideas that percolate up through the organisation. They refer to this unit as “office of strategy management” (OSM). Among the responsibilities of the OSM are to support the alignment of the organisation, review strategy, develop strategy and communicate strategy.

The focus of the business of an organisation influences the strategy implementation. Some organisations have applied a balanced scorecard to determine if the intended financial measures are effective.

The balanced scorecard takes into account a number of factors including feedback and learning, which give companies the capacity for what is referred to as strategic learning. It enables companies to modify strategies to reflect real-time learning. According to Kaplan & Norton (1996: 80) a balance scorecard “supplies three elements that are essential to strategic learning”. First, it articulates the company’s shared vision, defining in clear and operational terms the results that the company, as a team, is trying to achieve.

Indeed that SADC payment system project’s “core team” has served as some form of the OSM. However member countries have sufficient degree of independence in view of country-specific factors influencing modernisation

process. The country-specific factors are well understood by the project team selected within each country.

Thompson & Strickland (2003) commenting on strategy implementation point out that culture could influence strategy execution. In some instances culture can promote better strategy execution, whilst in other circumstances it could fuel perils in strategy execution due some conflicts that might exist between culture and strategy.

Recognising that the implementation could take different forms, the project “core team” through consultation with country representatives developed a structured approach to regional payments systems modernisation. This was a deliberate process to encourage each member country to benchmark its progress against other member countries. The structured process involved agreed to principles and uniformed steps.

Owing to that it was an agreed-upon approach, each member country was expected and encouraged to follow the stated steps. The advantage of the sequenced approach was to ensure a uniformed continuity, consistency and assisted member countries to benchmark their progress against one another.

Each member country had to formulate its strategy based on country-specific circumstances, whilst not deviating from the agreed to and uniform procedures and steps. In their document it was expected that a project implementation plan be prepared. This enabled each member country to take into account its financial resources, human capital and other resources such as the capacity to outsource information technology functions. However, the World Bank funding was central to the joint effort of modernisation. This was documented such that each country’s vision and strategy document was used as a reference during the modernisation process. Some assistance was provided by international experts and training was offered where necessary.

The implementation process necessitated that specific task teams within each country be established. The challenges on possible competition among

commercial banks were addressed. A central bank would lead and facilitate the modernisation programme.

The vision and strategy documents included standardised components that almost all member countries used in developing their vision and strategies. These included;

- (i) Future characteristics of the envisaged national payment system,
- (ii) Critical success factors that would affect the modernisation programme,
- (iii) Fundamental principles that should prevail in the implementation of the modernised systems and,
- (iii) The best international practice and standards were not excluded as these were to play a pivotal role in a country's modernised national payment system.

The identified future characteristics of the envisaged national payment system included such information as the categorisation of payment instruments that are to be used in a country, settlement process, risk-management issues, regulation and oversight of the national payment system, ownership and participation conditions, co-operation and competition as well as the international compatibility issues (www.sadcbankers.org).

Critical success factors were viewed as important determinants against which the success of the modernised national payment system can be measured. Examples of the critical success factors included among other things, trained personnel in the national payment system functioning and sourcing of expertise internationally. The project "core team" maintained that "in determining the critical success factors for the NPS (national payment system), the focus should always be on the most critical of these factors to ensure the success of the NPS" (SADC CCBG, 2002: 17).

The "core team" further asserted that the fundamental principles are the non-negotiable principles and form the basis upon which future disputes and conflicts will be resolved. "Fundamental principles are aimed at dispelling ambiguities about the roles, responsibilities, ownership and participation in the NPS" (SADC CCBG, 2002: 17).

The implementation was not without its challenges. This resulted to about seven member countries joining hands to develop a common business specification for settlement systems in their respective countries. The member countries, which had already implemented their settlement systems availed themselves and offered assistance in the development of the settlement system. These countries were Mauritius, South Africa and Zimbabwe.

The process was followed by a full procurement process to prepare for the implementation of the system as envisaged in their respective strategic documents. This was an important milestone for the SADC payment system project as the common business specification document enhanced the regional harmonisation objectives, which it is instrumental in inter-linked inter-bank settlement systems in the region. Additionally, the joint business specification enhanced the chances of countries benchmarking themselves against one another on the pace of modernisation.

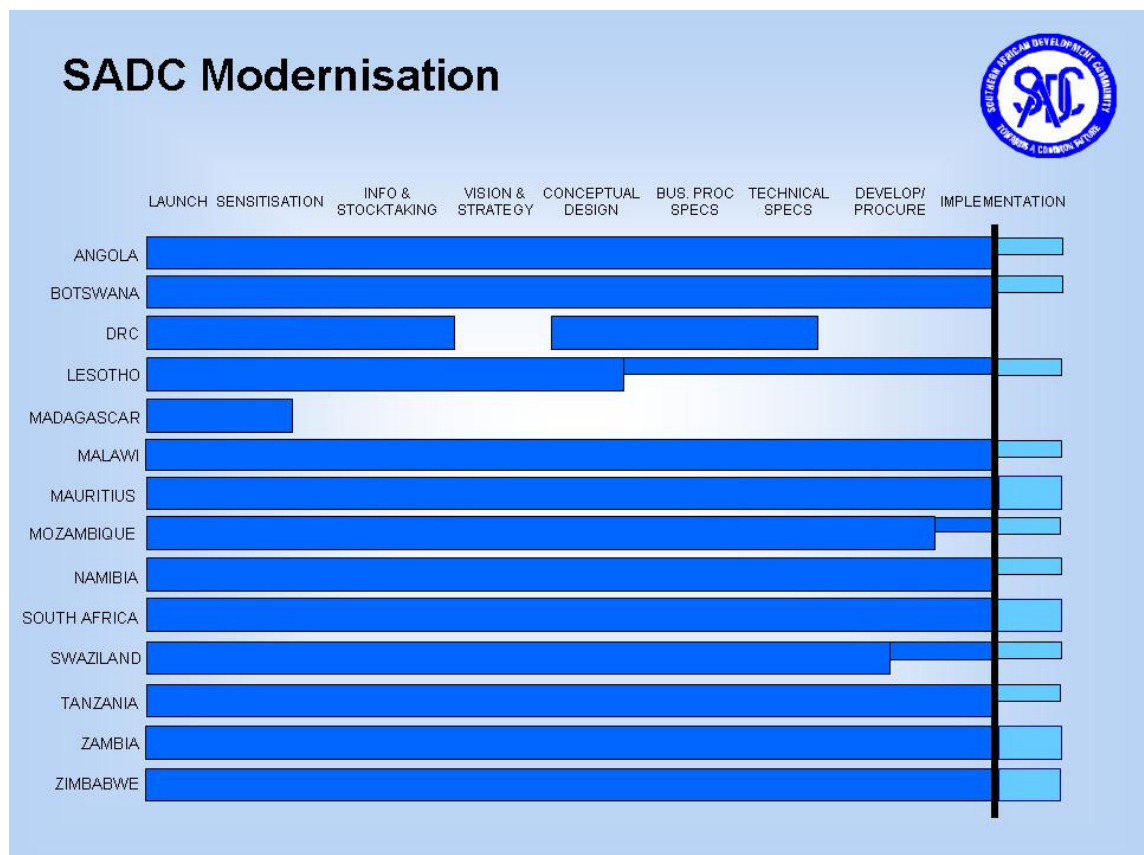


Figure 2.4: *An adapted indication of modernisation progress per SADC member state regarding their respective national payment systems*

An assessment of the first objective carried by the “core team” reflected that most countries are committed to modernising their national payment systems as depicted on *Figure 2.4*. See also www.sadcbankers.org .

The deep-blue bars reflect the extent of the modernisation process as indicated by structured steps mentioned above. The names of countries are listed on the left. The black vertical line indicates that most countries are in an implementation stage. The large pale blue bars (far right) reflect that a country has followed the agreed steps and completed the modernisation of national payment systems in full. The thinner pale blue bars reflect that, although all the stages or steps have been completed, there are other elements of payment systems that need to be attended to complete the process. The examples could be that some components of the legal framework have to be refined in terms of international best practice and standards.

The implementation focused on the application of the systems that will enable domestic banks to settle their inter-bank obligations in real time. Such systems are referred to as the real time gross settlement (RTGS) systems.

The remarkable differences such as those reflected by the Democratic Republic of Congo (DRC), Lesotho, Madagascar and partly Swaziland are due to a number of challenges faced by these countries, examples of which are infrastructure, banking networks, lack of capacity, such as financial support, qualified personnel as well as the impact of political instability and related influences.

Although the main focus tended to be on the implementation of the systems, it is worth mentioning that the objective of assisting individual countries to define a domestic payment strategy and development plan covered a wider scope than system implementation. A number of considerations had to be

taken into account. These included the factors impacting on the programme, such as environmental, economic, institutional, business, legal, technological and financial perspectives.

In addition to these perspectives, supporting structures played a pivotal role in the modernisation process. In this instance the role of a central bank as a facilitator, the top-level council or committee consisting of the various but senior representatives of the commercial banks and other stakeholders such as the telecoms, the project teams and outside consultants formed part of the critical success factors for the implementation process.

2.4.6. Strategy evaluation, control and continuous improvement

Pearce & Robinson (2003: 319) note that “strategic control is concerned with tracking strategy as it is implemented, detecting problems and making necessary adjustments”.

The strategic control on its own could be ineffective and outdated due to rapidly changing conditions. Continuous improvement serves to complement the function of strategic control. Some strategic management authors refer to this as an improvement tool, known as total quality management (TQM), which was amply applied as a new organisational culture built around an intense focus on customer (Pearce & Robinson, 2003).

After most member countries had achieved the implementation of their real time gross settlement (RTGS) systems, there was a need to assess if such systems compared favourably with the countries’ respective vision statements for their national payment systems. In addition the national payments systems are an important element in a country’s economy, especially where large values are used for financial market deals. The World Bank and the International Monetary Fund (IMF) developed guidance principles, which are reviewed from time to time, referred to as the Financial Sector Assessment Programme (FSAP). The assessment programme is not limited to payment, clearing and settlement systems but applies to other areas such as the issues around financial stability and monetary policy. The area focusing on the

payment, clearing and settlement systems is based on BIS Core Principles for Systemically Important Payment Systems.

The assessment in respect on payment systems seeks to achieve a number of objectives, which among other things, are to:

- contribute to the overall evaluation of the risks and vulnerabilities in the financial system and of development opportunities in the payment system;
- determine the extent to which vulnerabilities in the payment system could potentially undermine the implementation of the monetary policy thereby generating systemic disruptions in the financial markets;
- bring out potential negative impact on the liquidity situation in payment systems; and
- make recommendations to address the shortcomings (IMF & World Bank, 2002).

The project “core team” prepared a series of workshops to sensitise member countries of the Core Principles. These enabled the member countries to have a common understanding and possible interpretations of what is expected in the assessment.

2.5. Conclusion

This chapter described the strategic management approach adopted by the SADC payment system project in relation to the theoretical strategic management process constructs.

It was clear that the SADC payment system project followed a clear implementation programme that is in line with broad objectives of deeper economic integration initiatives.

CHAPTER 3: LITERATURE REVIEW

3.1 Introduction

Chapter 2 provided the foundation of the study and put into perspective the relationship of the grand SADC strategies or programmes as articulated in the RISDP. It was highlighted that the SADC payment system project is one of a number of implementation tools towards deeper regional integration.

There has been an attempt to apply the strategic management process theoretical framework as gleaned from different literature sources to the SADC payment system project. The SADC payment system project is a not-for-profit-making organisational formation and therefore attempts were made to reflect on the ultimate objective of the project, if it satisfied or met the expectations of the stakeholders as provided for in its objectives.

Although the emphasis was on the implementation of the regional payment system modernisation, the discussion in the literature review will also look into the broad strategic management process. The environmental factors feature prominently to highlight the factors that pose a challenge in the successful implementation of the SADC cross-border and inter-bank settlement systems.

The eclectic literature sources on the strategic management process pose a rather challenging situation in that most of these sources generally look at the survival and positioning of a business organisation in a competitive business environment (Aaker, 1997; Nutt, 1986; Thompson & Strickland, 2003; Bourgeois & Brodwin, 1984). There is much emphasis on the objective to maximise shareholders' wealth. A not-for-profit organisation is generally driven by a specific mandate, which aims at accomplishing stakeholders' or benefactors' expectations (Steiss, 2003; Courtney, 2002).

However Courtney (2002) asserts that there should be little or no difference in the application of the strategic management process when a comparison is

made between an entity that is driven by a profit motive and an organisation that aims to accomplish stakeholders' expectations.

It is with this understanding that not-for-profit organisations and/or programmes adapt these models and techniques to suite their value systems and needs for the non-profit sector.

Strategy and strategic management process are used to refer to a holistic nature of the strategic management process. In addition, an operational day-to-day management activity may also be referred to as strategic management. If the strategy management process is done at an operational level, then it may not necessarily be a strategic action but an implementation or functional issue. The functional area examples include financial management, production, or human resources management.

The SADC initiatives towards the regional economic integration do not seek to maximise the wealth of the stakeholders, but to achieve the set objectives towards deeper economic convergence.

3.2. The concept of strategic management

Strategy, strategic management or strategic thinking as a concept has undergone some evolution from its initial applications from a military setting to a business environment. It entails that an organisation has to have a clearly defined direction and purpose as Ghemawat (1999:5) states that "every business organisation, every sub-unit of an organisation and every individual ought to have a clearly defined set of purposes or goals which keeps it moving in a deliberately chosen direction and prevents its drifting in undesired direction".

Strategic-management related activity should reflect a long-run nature of business performance. The reason is that strategic management is a comprehensive plan that states how an organisation will achieve its mission and objectives over time (Hunger & Wheelen, 2003).

Strategic management involves managerial decisions and actions to direct the organisation to the right and intended direction (Pearce & Robinson, 1997; Thompson & Strickland, 2003 & Ghemawat, 1999).

Pearce & Robinson (1997: 3) define strategic management as a “set of decisions and activities that result in the formulation and implementation of plans designed to achieve a company’s objectives”.

The concept of the strategic management process reflects the most important feature: A sense of direction and purpose including deliberate actions emanating from the stated objectives. This constitutes the strategic management dynamic and is characterised by constantly changing conditions that impact on planned activities (Pearce & Robinson, 1997; Courtney, 2002).

Strategic management literature sources draw a distinction between planning and strategy in that any organisation has a strategy, whether or not it engages in any form of formal planning. A lot of planning that takes place is not strategy. Strategic management refers to the whole process, including strategic analysis, formulation and implementation, which emphasises the continuous nature of the process (Courtney, 2002).

The broad strategic management principles are within the context of strategic analysis. Aaker (2005) has highlighted major components of strategic analysis, which include external environmental analysis, internal organisational analysis, outputs of strategic analysis, which include opportunities and threats, trends and strategic uncertainties as well as strategic strengths, weaknesses, problems and constraints.

According to Steiss (2003) there are a number of strategic management elements that provide overall direction to all subsequent management activities. These include, firstly, the basic mission, which provides for a fundamental purpose of the organisation and its guiding principles for behaviour. Secondly, the target groups to be served by an organisation within the context of its mission statement. Examples of the target groups include stakeholders such as individuals, benefactors and other institutions such as

regulatory authorities and agencies (Courtney, 2002). These are referred to as the claimants on the organisation. The third element includes goals and objectives, which seek to fulfil the mission and meet the requirements of the clientele and/ or stakeholders. Goals are more general and represent end-results, whilst objectives generally describe specific programmes and action-plans. The fourth element is the service or performance mix. The service mix includes strategic decision issues, such as programmes or services to serve the needs of the clientele and fulfil its mission. The fifth strategic decision element is a geographic service area. Strategic decisions are dependent on the geographic area being identified in order effectively render a service.

3.3. Strategic management for non-profit organisations

Non-profit organisations have been criticised for lacking strategic management focus due to such factors as that the services they render are intangible and sometimes hard to measure. Resource contributors (notably the fund contributors) may intrude in the internal management of the organisation, thereby making the management of such an organisation a challenge (Courtney, 2002).

However, strategic management has provided a useful set of tools and techniques to enable non-profit organisations to be more focused, to create a stronger sense of unity and direction as well as to understand the external environment better (Courtney, 2002).

3.4. The strategic management framework

The suggested strategic management framework as depicted by *figure 3.1*. is simply a compilation from sources that were consulted. The framework is therefore not exhaustive. The researcher acknowledges that it would be a mammoth task to endeavour to consult the expansive literature sources on the subject. The one-size-fits-all on the suggested framework is also not intended.

Its comprehensive nature ensures that top management echelons are involved. In the case of the SADC cross-border and inter-bank settlement system programme, the Summit is involved. Further down the echelons of the organisation all other levels of management are responsible for executing the strategy as set out from top through functional and structural areas for the organisation to chart the challenging business environment. The checks and balances are reinforced by monitoring, evaluation and control for effective continuous improvement. This is reflected by the SADC Secretariat in applying the RISDP as an instrument for effective delivery.

The nature of strategic management approach to achieve the common future for the SADC region is different from an approach that would, for example, be adopted by an organisation seeking to expand its business and maximise shareholder wealth. The compelling factor for the SADC region is to remain focused on the vision such that the programmes that are used for strategy implementation purposes remain on the right course.

Although the issues around environment scanning are not emphasised prior to the strategy implementation, it may be necessary to look at these challenges to devise better solutions in meeting the long-term objectives of the region. This is one of the compelling reasons that the research has elected to highlight and examine some of these challenges as they could stifle the modernisation and harmonisation process, which is the implementation phase of the broad strategy indicated above.

It is worth emphasising that strategy implementation should “operationalise” articulated strategy, a process that includes communication, interpretation, adoption and enactment of strategic plans. This process should ensure structural change within the organisation, changes in the process systems and behavioural adaptation (Ehlers & Lazenby, 2004).

The above is echoed by Toft (2000) who suggested different approaches to strategic management as discussed in Chapter 2. Toft (2000) goes on to assert that there are, however, generally accepted elements of the strategic

management process. These elements can be identified in various literature sources of strategic management.

In view of the above, it can be observed that the strategic management process may be broken into three main activities, namely strategic analysis, formulation and implementation. Complementing the above, Steiss (2003) points out that strategic management offers a framework by which an organisation can adapt in the vagaries of an unpredictable environment and uncertain future and divides strategic management into three main components. These components are:

- Strategic plan: strategic management is concerned with deciding in advance what an organisation should do in the future.
- Resource management: Strategic management involves determining how the objectives of the strategic plan will be achieved or who will be responsible for carrying them.
- Control and evaluation: Strategic management entails monitoring and enhancing on-going activities and operations to ensure that the strategic plan remains on track.

Campbell & Alexander (1997) have suggested that a strategic management framework may be better viewed through the acronym, *MOST*, which represents *mission, objectives, strategy* and *tactics*. Mission is a long-term purpose for the organisation and objectives are the second most important. These should be defined and divided into long-term as well as medium and short-term objectives that will move the organisation on the path towards satisfying its mission. From the objectives a strategy is formulated to achieve the objectives using short-term operational decisions and policies. These are referred to as functional tactics. Tactics are instrumental in the implementation of the chosen strategy (Pearce & Robinson, 2003).

According to Thompson & Strickland (2003) a strategic management process consists of five major managerial tasks. These include the development of the strategic vision and business strategy, setting of objectives, crafting a strategy to achieve objectives, implementing and executing the chosen strategy as

well as evaluating performance, monitoring new developments and initiating corrective adjustments.

Although Aaker (1997) focuses on business strategy, strategic (market) management commences with strategic analysis, which includes the analysis of the external environment and internal environment, followed by the identification of strategy and selection thereof, once the strategy has been selected, operating plans and ongoing review of strategy are applied. Operating plans focus on the implementation of strategy, which requires the support of people, applicable organisation structure, systems and culture.

A business strategy focuses on one specific line of business. It is distinct from a corporate strategy which refers to a strategy driven from the headquarters for the whole organisation. An organisation with a number of large business units is likely to have different business strategies focusing on different industries where such units operate (Pearce & Robinson, 2005; Thompson & Strickland, 2003).

An amplified strategic management process framework, which Pearce & Robinson (1997) refer to as strategic management model includes such steps as:

- Formulating a mission, as an enduring statement of a firm's intent;
- analysing of external environment, which includes remote environment, global and domestic environment as well as industry and operating environment;
- analysing of the company profile, which relates to internal analysis;
- formulating of the long-term objectives, which should be acceptable, consistent, flexible or adaptable, measurable, understandable, motivating and achievable;
- analysing of strategy and choice of strategy suitable for the organisation;
- implementation of the chosen strategy through functional tactics, policies, restructuring; and

- Strategic controlling and continuous improvement.

In an effort to consolidate or combine different strategic management models, the researcher has suggested a strategic management process framework, for the purposes of this study. The model is suggested on the table that follows (*Figure 3.1*).

The strategic management process

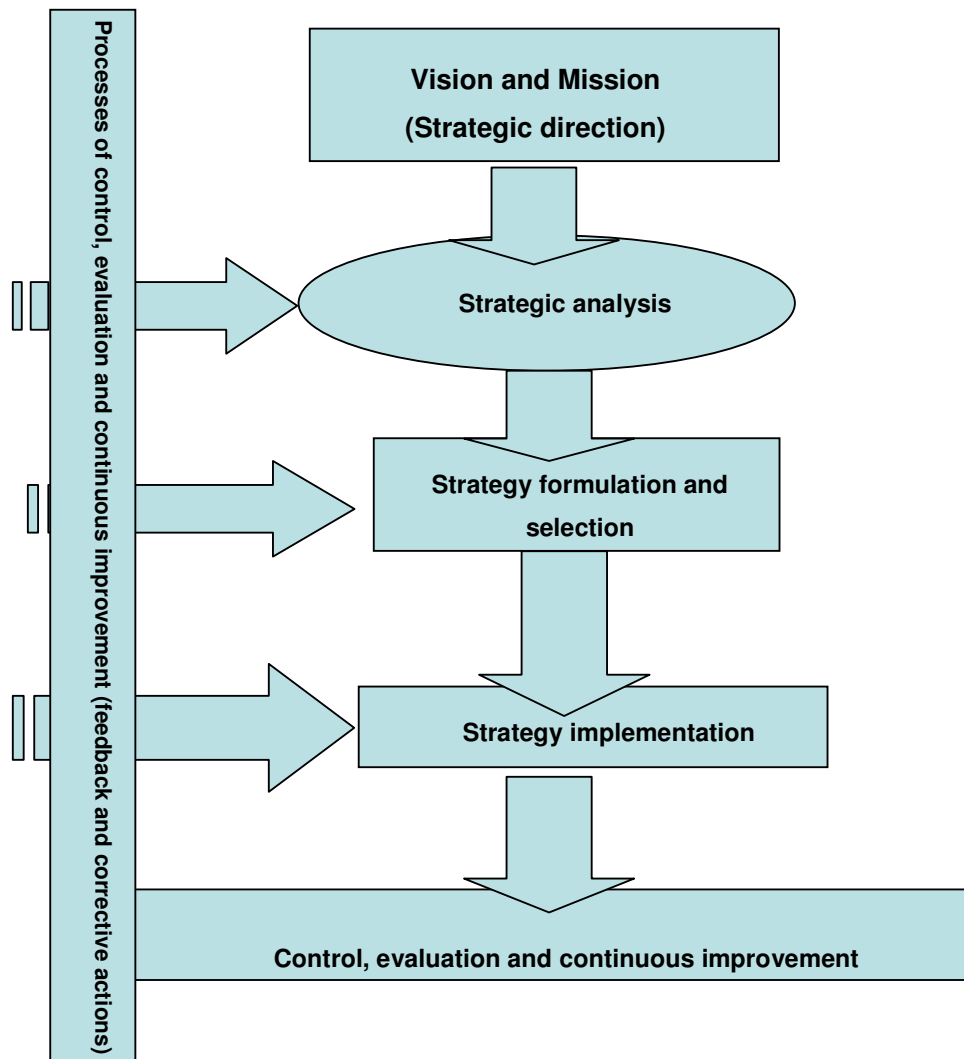


Figure 3.1. Suggested strategic management process model

The model above reflects the main elements of the strategic management process. Within each element are a number of activities for the strategic management process. These elements are discussed below.

3.5. Strategic direction

The strategic direction includes the vision, mission, goals and strategic objectives.

Vision presents a guiding image of what success will look like in terms of the organisation's contribution to the broader society. It is "the statement of the state of affairs that the organisation would ideally like to see if its work was successful" (Courtney, 2002: 32). Vision should be responsive to changing conditions (Steiss, 2003).

Thompson & Strickland (2003) note that a strategic vision is a prerequisite for effective strategic leadership and view vision as a useful direction-setting tool, which should have elements such as a mission statement that defines what business the company is in and conveys the essence of the company's values. The strategic vision should be communicated in clear, exciting terms that arouse the organisation-wide commitment.

The mission statement forms the basis for deciding the long-term course of the company. It reflects the purpose, business focus and the values of the organisation. The purpose focuses on the outcomes and results rather than methods (Steiss, 2003).

The importance of the mission statement is the specification of the firm's ultimate aim (Pearce & Robinson (2003). It reflects the firm's self-concept and indicates the firm's principal product or service areas and the primary customers it will attempt to satisfy. In short it describes the firm's product market and technological areas of emphasis. Therefore, the components of the mission statement include customers, market, product or service, geographical domain, technology, concern for survival, philosophy, self-concept and concern for public image.

The mission statement "describes the boundary of an organisation, it motivates staff, volunteers, donors and creates sense of unity and focus for

all stakeholders. It helps in the process of evaluation of the organisation” (Courtney, 2002: 180).

Goals are the broadly defined statements that need to be translated into detailed objectives and action-plans. They are statements of desired results (Steiss, 2003; Pearce & Robinson, 2003). Courtney (2000) refers to goals as long-term aims or critical success factors that the organisation will need to engage in if it is to make progress towards achieving its mission and vision.

Pearce & Robinson (2003) have identified a firm’s goals as including survival, growth and profitability.

The vision, mission, values and long-term aims are not time bound as these are visionary and idealistic in nature (Courtney, 2002).

Objectives represent managerial commitment to achieve specific outcomes (Thompson & Strickland, 2003). They are applicable in all levels of the strategic management process. Objectives convert managerial statements of strategic vision and business mission into specific performance targets. Targets are outcomes and results that the organisation intends to achieve (Thompson & Strickland, 2003).

3.6. Strategic analysis

The process of strategic analysis involves the analysis of both the external and internal environmental factors.

3.6.1. External environmental factors

The importance of the macro-environment cannot be ignored as Narayanan & Fahey (1987 – in King & Cleland [eds.]) assert that the macro-environment needs to be analysed in its own right, irrespective of the immediate context of the organisation.

Coetzee (2006) has identified a number of macro-environmental influences that are important in the analysis of the external environment. These include political, economic, physical and geographic, social, ecosystem, technological, legal and institutional as well as regional or global influences.

(a) The political economic impact

Political factors and trends include the direction and stability of a country's political situation. The imposing influences are those that largely include economic, political and legal systems, which are collectively referred to as the political economy. These are the main determinants of economic development, due to that they have "a profound impact on the level of attractiveness of a country as a possible market location" (Hill, 2003: 54). Additionally, these are also a measure in determining if a country has a free-market economy or has an economic system that is centrally planned. The market economy encourages property rights, innovation and entrepreneurship as opposed to a central economic system in which the government prescribes for industries on the direction and the level of economic output. Hill (2003) highlights this by indicating that a country's economic development is a function of its political and economic systems.

A notable global trend is without doubt an accelerated movement toward regional economic integration. Examples to this trend include the Association of South East Asian Nations (ASEAN), which include Brunei, Indonesia, Laos, Malaysia, Myanmar, Phillipines, Singapore, Thailand and Vietnam; the MERCOSUR (Brazil, Argentina, Paraguay and Uruguay), and the North American Free Trade Area (NAFTA), consisting of Canada, Mexico and the USA. This refers to that countries agree among themselves in a geographic region to reduce and ultimately remove tariff barriers and factors of production between each other. However challenges are noted as countries tend to resist by maintaining some degree of sovereignty. Concerns on national sovereignty arise because close economic integration demands that countries give up some degree of their control over such key policies as monetary policy, fiscal policy and trade policy (Hill, 2003; Daniels & Radebaugh, 1998).

However, there are positive aspects of the regional economic integration, such as reduced conflict among the involved countries, additional gains from the flow of trade, which is determined by the extent of the trade creation (Hill, 2003).

The underdeveloped and developing countries, such as those in the SADC region have a number of political challenges including poverty and political instability.

Daniels & Radebaugh (1998: 104) note that a “country’s political system has an enormous impact on how business is conducted and that political system is influenced by a variety of internal factors such as the nature of the population, the size and influence of corporations and government bureaucracies”.

Economic trends describe the nature and direction of the economy and economic development. The ability to predict how economic factors will affect the future performance of an organisation is likely to harness its survival.

There are different classifications of economic systems, namely; the free-market economy, centrally planned economy and mixed economy. In the free-market economy or simply the market economy, there is an active interrelationship of price, quantity, supply and demand. There are two societal units that play an important role: The individuals, who own resources and consumer products and companies which use resources and produce products. An important element in the market economy is the right of the consumer (individual) to decide what to buy and freedom of the enterprise (companies) to operate in the market (Daniels & Radebaugh, 1998).

The second form of an economic system is a centrally-planned economy, where the government co-ordinates the activities of different economic sectors. A centrally-planned economy is also referred to as command economic system, where the government allocates resources for the good of the society. In a pure command economy, all businesses are state owned.

The rationale is that the government can direct these businesses to make investments that are in the best interest of the nation as a whole (Hill, 2003).

A third economic system is a mixed economic system and has both the free market and centrally planned economic system elements. It is said that most countries have mixed economic systems with varying degrees of government intervention.

The SADC region could be faced with differences in economic systems including the varying degrees of economic developments and growth. This calls for some degree of economic transformation in a number of SADC member countries, a process that could take time to bear fruits vis-à-vis ever changing conditions. However, for economic transformation to be successful, a number of factors including deregulation, privatisation and creations of a suitable legal system should be taken into account. There are also other related elements that are not easy to cope with, especially opening up the economy through the removal of exchange controls.

(b) Social structural influences

According to Hill (2003) there are two main dimensions of social structure which explain the importance of a country's culture. These dimensions are individualism and group influence. The individual dimension sees the individual as a building block of social organisation. Individual performance is emphasised and therefore could benefit the increase of entrepreneurship and innovation thereby contributing the economic development. Group behaviour is influenced by the group's decisions and discourages the independent decision-making. This is said to be stifling innovation and could impact negatively on economic development (Hill, 2003). However, where a group works as a team, it could increase productivity.

In the core of social life in a given country are factors such as beliefs, values, attitudes and opinions. The noted social trends include the involvement of women in the labour market. This has impacted on the recruitment policies of various companies. Added to this is the trend of increasing interest in consumer awareness and employee quality of life and well-being.

The above have implications for the regional integration and could influence the pace for integration, especially the harmonisation initiatives through various programmes that are in place.

(c) Physical geographic and educational influences

Geographic factors impact on economic development and have implications for the regional integration initiatives. For example Hill (2003) referring to Sachs notes that coastal states, with their long-term agreements in international trade tend to be more supportive of market institutions than land-locked countries. Hill (2003: 63) goes on to mention that “mountainous states, due to their physical isolation have often neglected market based trade”.

By virtue of favourable geography, certain societies are more likely to engage in trade and be open to and develop market-based economic growth than others. The adverse geographic conditions could exacerbate a high rate of diseases and poor soils and hostile climatic conditions could impair economic development (Hill, 2003).

Education has also been seen as the most important determinant in the social welfare and economic development of a country in that the countries that invest much in education emerge to have high economic growth rates because an educated population is more productive.

The implications for the SADC region are the general literacy levels, which are not easily quantified. However, the levels of economic development as influenced by educated populations in these countries suggest that literacy levels are low.

(d) Legal environmental influences

The legal environment is said to be closely linked to a country’s political system. It relates to the legal system that a country has adopted. Legal systems fall into three categories, namely common law, civil law and theocratic law. The common law system is based on the tradition, precedence, customs and usage. Law courts fulfil an important role in

interpreting the common law according to tradition, customs and usage (Daniels & Radebaugh, 1998).

The implications for SADC regional integration are huge as this impacts on health and safety standards, employment practices, contractual relationships and environmental protection including the anti-trust prohibitions (Daniels & Radebaugh, 1998: 122).

(e) Technological trends and influences

These impact the organisation as the technological equipment it uses becomes obsolete and pace of change is accelerated. The challenge for the organisation is that it should familiarise itself with the changes that affect its areas of business. One of the methods involves technological forecasting to protect and improve profitability and to stay abreast of technological changes (Pearce & Robinson, 2005).

This poses a challenge to regional development as each member state has to endeavour to meet ever-changing circumstances as influenced by technological advances.

(f) The environmental and ecological factors

These are concerned with such issues as dumping, pollution and global warming. It is imperative to analyse these trends in that the impact on the organisation would have been assessed and corrective steps considered.

It is without doubt that the SADC region could be adversely affected by dumping from the advanced economies. The necessary steps will have to be taken into account on how to stem the environmental pollution causes if this is not yet in place.

(g) Religion and its impact on the regional macroeconomic convergence initiatives

Hill (2003) notes that the economic impact of different religious formations, such as Christianity, Islam and Hinduism could affect the decision any

business organisation can make in order to consider growing its business globally.

This is one of many challenges that the SADC macroeconomic convergence initiatives face. Some guidelines may be necessary to have a harmonised system to accommodate the appreciation and respect for different belief systems, without impacting adversely on these initiatives.

3.6.2. Internal environment analysis

Internal analysis entails the analysis of the firm's resources. This is based on how well the organisation uses its resources in implementing or executing its strategy.

According to Pearce & Robinson (2003) company resources are classified into three basic resources, namely tangible assets, intangible assets and organisational capabilities. Tangible assets are those that are readily identifiable including a firm's balance sheet, production facilities and other support equipment such as computers.

Intangible assets include trade marks and accumulated experience within the organisation, brand names, technical knowledge and patents. Organisation capabilities are skills that combine assets with people and processes to enable the organisation to transform inputs into outputs.

The advantage of internal analysis is that it highlights the organisation's internal weakness and strengths. It also helps the organisation to consider its core competencies, which are generally the products of its learning and experience (Thompson & Strickland, 2003).

Most companies have adopted the SWOT analysis as a tool to determine their internal strengths, weaknesses whilst identifying external opportunities and threats in their businesses.

For the SADC payment system project a number of initiatives took place in the form of workshops and training courses. These addressed, in part, the capacity building initiatives to strengthen the project teams in respective member countries. However external threats in the harmonisation initiatives and appropriate funding to achieve the objectives remain a challenge.

3.7. Strategy formulation and selection

Aaker (1998) notes that the purpose of the environmental scanning and analysis is basically two-fold: To help generate strategic alternatives and provide criteria for selecting the appropriate strategy among the available strategic alternatives.

One method of identifying an appropriate strategy is to use the needs and expectations of the stakeholders (Courtney, 2002). Functional area strategies could also be identified. These strategies refer to such functions as sales, marketing, financial and so on, within an organisation. It may be a challenge to co-ordinate functional areas such that they do not work at cross-purposes (Aaker).

Some tools that are used for strategy implementation are helpful in selecting the right strategy.

3.8. Strategy implementation

Strategy implementation involves converting strategic alternatives into operational plans. An operating plan may span more than a year (Aaker, 1998). It should contain detailed and specific information with short-term objectives.

There is no single approach to strategy implementation. The challenge of establishing guidelines or framework for strategy implementation has made Nutt, 1986, Peare & Robinson, 2003, Hussey, 1998 and Hrebeniak, 2005 as well as Bourgeois & Brodwin, 1984 to refer to strategy implementation as elusive as there are no mutually exclusive forms of implementation. This is

emphasised by Nutt (1986) in trying to identify the procedural steps of strategy implementation by mentioning that the implementation is ubiquitous and that any organisation will engage a variety of methods, models and tactics to implement its chosen strategy.

Implementation can only be possible through a number of dependencies, such as an appropriate organisation culture of collaboration and co-operation, a suitable organisational structure and supportive internal processes and resources.

There are, however, distinct components of strategy implementation. These are classified into structural, interpersonal and behavioural (Noble, 1999). Added to these components are dimensions that are referred to as tools and techniques which comprise resources and specialised skills (Roney, 2004) as well as short-term objectives, functional tactics and policies (Ehlers & Lazenby (eds), 2004 and Pearce & Robinson, 2003).

The importance of strategic consensus between managers is important as this influences the success of the intended change. Consensus is also facilitated by strategy implementation drivers such as leadership, organisational culture, reward systems, resources allocation and necessary structural adjustments (Nutt, 1999).

In essence implementation should entail repositioning an enterprise such that its strategic intent is met, taking into account the context within which the organisation operates (Macmillan & Tampoe, 2000, Hrebiniak, 2005).

The well-known implementation techniques include the balanced scorecard, value chain analysis and resource based valuation.

Pearce & Robinson (2005; 194) describe a balanced scorecard as a “set of tools that are directly linked to company’s strategy. It directs a company to link its own long-term objectives with tangible goals and objectives”. It allows managers to evaluate a company from four perspectives, namely financial

performance, customer knowledge, internal business processes as well as learning and growth.

Value chain describes a way of looking at a business as a chain of activities that transforms inputs into outputs that are valued by the customers. The value chain analysis (VCA) disaggregates the business into sets of activities that occur within the business, starting with inputs and finishing with outputs. It also attempts to look at costs across the series of activities the business performs.

3.9. Control, evaluation and continuous improvement

Control and evaluation are managerial tasks, which ensure that the chosen strategy is in line with mission and vision statements and that it is implemented according to the detail plans. Continuous improvement takes into account deviations from the intended course and makes necessary adjustments. The deviations could be a result of changing environmental circumstances or limited or stretched resources (Muralidharam, 1994).

3.10. Conclusion

The chapter concentrated on a generic strategic management model that a business could apply to compete meaningfully in a business environment. It further noted that the process could also be applied by not-for-profit making organisations to fulfil their mandate.

It briefly discussed the main elements of the strategic management process, which include vision, mission, long-term goals and objectives. Additionally the strategic analysis, including both the external and internal factors was also discussed. The amplified pointers of external environmental factors were discussed and as these play a major role in influencing regional integration efforts in the SADC region.

The challenge of applying a specific implementation framework was noted as there is no specific or known strategy implementation model. The various tools for implementation were also briefly highlighted. These are dependent on internal resources and the drivers for implementation such as leadership.

The evaluation, control and continuous improvement were also discussed as these are important elements to ensure that the implemented strategy does not divert from the intended course.

CHAPTER 4: RESEARCH METHODOLOGY

4.1. Introduction

The purpose of this chapter is to describe the research methodology used to obtain information from the representative sample. The research report aims firstly, to describe the strategic management approach adopted by the SADC payment system project and secondly, to explore macro-environmental challenges facing the payments, clearing and settlement systems modernisation and harmonisation process. The impact of these challenges could stifle the harmonisation initiatives suggested in the second objective of the SADC Payment System Project, which is to “*define a coordinated regional approach to cross-border payments strategy and inter-bank settlement systems*” (SADC CCBG, 1996: i).

It is expected that each member country’s national payment system will be harmonised and/or interlinked with those of other member countries to support the free flow of trade with the SADC region. The target year for the free-trade area in the region, subject to certain other conditions is 2008 (*Financial Mail, August 24, 2007*). It is therefore necessary to examine and highlight these challenges, on an exploratory basis, with a view to allow a further examination where necessary.

The challenges were articulated in Chapter 1 and included, among other things, continuity in structural arrangements of the respective teams charged with modernisation initiatives in each member country, skills challenges in respect of payment systems, impact of foreign fund donors, reliability of power supplies and related infrastructural arrangements, political regime influence, legal and regulatory regime impacting the payments, clearing and settlements.

This chapter will include a brief description of the research design; make a brief comment on qualitative research, sample, data collection and data analysis. As indicated above, this research report concentrates on case study, explorative and qualitative research.

4.2. Research design

The research design is intended to address the type of study that will best answer the statement of the research question (Mouton, 2001). “It is a plan or blue-print of how the research should be conducted” (Mouton, 2001: 55).

Cooper & Schindler (2003) note that there are a number of definitions of research design, and within these definitions are common essentials such as that a research design is,

- an activity and time based plan;
- always based on a research question; and
- a framework for specifying the relationship among study variables (Cooper & Schindler, 2003: 146).

Additionally, Cooper & Schindler echo Mouton (2001) in that a research design is a blue-print for the collection, measurement and analysis of data.

The research design has various classifications and “in any research study, one faces the task of selecting the specific design to use”.

The above is summarised by Hartley in Cassell & Symon (eds) (2004: 325 – 326) when they state that a “research design is the argument for the logical step which will be taken to link the research question/s and issues to data collection, analysis and interpretation in a coherent way”.

4.3. Exploratory research

Cooper & Schindler (2003) have suggested different categories that a researcher may use. One of the design approaches is the degree of the research crystallisation. The crystallisation will determine whether the study is exploratory or formal. An exploratory study is referred to by Brink & Wood (1998: 312) as a “study that which has not been previously studied, where a researcher is looking for new insights and new understandings. The exploratory study could be as broad or as narrow as the researcher and encompasses every conceivable idea that may affect a thorough perusal of the topic”.

Cooper & Schindler (2003: 146) note that an “exploratory study tends toward a loose structure with an objective of discovering future research tasks”.

Mouton (2001: 53) suggests that exploratory questions are posed to address the key factors, with examples such as “what are critical success factors?”, “what are distinguishing factors?”.

An exploratory study is said to be useful “when researchers lack a clear idea of the problems they will meet during the study” (Coopers & Schinders, 2003: 151).

The SADC payment system project’s harmonisation initiatives are at an advanced stage of interlinking payments, clearing and settlement systems among member countries. One of the main milestones that have been achieved is the development of the cross-border transactions model. The model can be used as most of the countries have implemented their real time gross settlement systems. However, there are other dependencies and programmes that have to move in concert with these developments to realise a successfully interlinked and harmonised system. In between these dependencies are far and wide imposing impediments or challenges, some of which are being explored in this study.

4.4. Case study

Hartely (2004) highlights that a case study is not a method, but a research strategy which aims at providing an analysis of the context and processes which illuminate the theoretical issues being studied.

A phenomenon is not isolated from its context as in, say laboratory research, but is of interest precisely because the aim is to understand how behaviour and/or processes are influenced by and influence the context. It is also noted that the context is deliberately part of the design. As such, there will always be too many variables from a number of observations made and so the application of standard experimental or survey designs. In this regard, the

issues of reliability and validity are addressed (Hartley, 2004: 323 - 324). Also, Dooley (2002) notes that case study research, like all other forms of research, is concerned with the issues such as methodological rigour, validity and reliability.

The case study research may be a project or a programme in evaluation study. Depending on the situation, case studies may be conducted alone or in combination with other methods (Yin, 2003).

A case study is not divorced from theory and it has to be designed in terms of theoretical orientation (Hartley, 2004).

It is helpful to consider whether a case study is likely to be exploratory or descriptive. This will affect the focus of the research question and the degree to which the aim of the case study is to analyse particular unique circumstances.

4.5. Descriptive design

Descriptive designs are usually, but not always, cross-sectional and make use of both qualitative and quantitative data collection methods. The type of the method chosen depends on the sample size and level of knowledge about the variables and population. "Descriptive designs are intended to provide an accurate description or characteristics of a situation or phenomenon. The focus is to describe the variables that exist in a given situation"(Johnson & Christensen, 2004:347).

4.6. Population and sampling design

According to Brink (1996: 132), "a population is an entire group of persons or objects that is of interest to the researcher, which meets the criteria that the researcher is interested in studying".

Cooper & Schindler (2003) note that the basic idea of sampling is that by selecting some of the elements in a population, we may draw conclusions

about the entire population. In this regard, a sample is part of the whole or a larger set. It is a process of selecting the sample from the population to obtain information regarding a phenomenon in a way that represents the population of interest (Brink, 1996).

The identified population in this study are the members drawn from central banks of the respective SADC member countries. These members are actively involved in the national payment system modernisation and/developments in their respective countries. In view of the fact that the study is exploratory in nature, the researcher believes that the target population is large enough to elicit reasonable responses in respect of the challenges facing the successful implementation of the regional harmonised inter-bank settlement systems in the region. These members also play a pivotal role in the co-ordination of the modernisation of payment systems in their respective countries as well in the region as a whole. They are senior officials, most of whom are directors in the operations of national payment systems.

4.7. Measurement instrument

A measurement instrument is the technique used for the collection of data regarding a specific concept (Wood & Brink, 1998). Instruments such as the questionnaires are the examples of data collection techniques and form part of research design.

This study has adopted questionnaires as a means of collecting data. This is considered suitable for this study as it is an important self-report technique in order to address respondents' thinking and knowledge about the phenomenon.

4.8. Reliability and validity

Reliability and validity of research findings are of great importance in all studies. Including practicality, they are the main criteria for measuring if the study achieved its intended objectives. However, Brink (1996: 124) notes that "qualitative researchers use different criteria to quantitative researchers and

frequently avoid terms reliability and validity. The use terms such as consistency, dependability, conformability, audit-ability, recurrent patterning, credibility, trustworthiness and transferability, when referring to reliability and validity”.

According to Brink (1996: 124) “reliability is concerned with consistency, stability and repeatability of the informant’s account as well as the investigator’s ability to collect and record information accurately. In qualitative research this requires that a researcher should obtain the same or comparable results”.

Validity is concerned with the accuracy and truthfulness of scientific findings. Establishing validity requires, firstly, determining the extent to which conclusions effectively represent the empirical reality (Brink, 1996).

4.9. Data analysis

A sample population of thirty nine (39) country representatives was drawn from thirteen (13) SADC member countries. There are fourteen member states in SADC. Therefore only one country was not included in the sample as it is still a new member.

A basic descriptive statistics with a sample size of $N = 39$ was relied upon and respondents were expected to provide information based on the statements or propositions provided under each identified factor that was considered as posing a challenge for a successful implementation of a harmonised SADC cross-border and inter-bank settlement systems.

The questionnaire did not provide for a biographical data in order to assure the respondents of the confidentiality of the information.

The aim of the research report was to explore the challenges facing the successful implementation of the SADC cross-border and inter-bank settlement systems. As with all other exploratory studies, the researcher was looking for new knowledge, new insights, new understanding and new

meaning (Brink & Wood, 1998) whilst trying to be as holistic as possible in relation to the modernisation programme of the SADC payment system development programme.

4.10. Conclusion

The chapter briefly provided the research methodology to be followed in this study. The study will be both descriptive and exploratory in nature, based on a case of the SADC Payment System Project and its modernisation initiatives in modernising and implementing the regional payment systems within each member country in the SADC region.

The second section of the study is exploratory in nature in that it explores the factors which are a challenge in the successful implementation of the SADC cross-border and inter-bank settlement systems. The factors are both environmental and capacity- related.

CHAPTER 5: RESEARCH RESULTS

5.1. Introduction

The first chapter provided a background into the SADC Payment System modernisation programme as one of a number of projects under the auspices of the SADC Committee of Central Bank Governors. The SADC Payment System Project falls under a high-level and/or broad programme referred to as the Trade, Investment, Finance and Industry (TIFI) that has its vision that of a reputable, efficient and responsive facilitator and promoter of economic policy framework for regional market integration.

It was also illustrated how the SADC payment system project adopted a strategic management approach to facilitate the modernisation of the regional payment systems both internally to the respective countries and at a harmonised regional level. Some dependencies were highlighted to show that the regional payment system harmonisation programme may not be successfully achieved, whilst other programmes are lagging behind. This led to some identified challenges articulated as possible threats to the successful implementation of regional cross-border and inter-bank settlement systems.

The factors that were identified as possible challenges to a successful implementation of the SADC cross-border and inter-bank settlement systems were presented and included the following;

- (a) The continuity of country-specific teams
- (b) Skills and capacity in the payments, clearing and settlement systems' related functions
- (c) Financial assistance and foreign donors
- (d) Communication, power supply and infrastructure
- (e) The banking system and flow of financial information
- (f) Flow of trade and trends in the SADC region
- (g) Membership in other regional economic formations and
- (h) The economic system.

Within each factor that was identified a number of statements or propositions

were made to elicit responses. These are listed below each table in the analysis below.

It is reiterated that this report is exploratory in nature and it is hoped that the findings will elicit some interest in more examination of factors that influence the macroeconomic convergence initiatives.

5.2. Summary of findings

5.2.1. Introduction

Although the original data were based on a seven-point Likert type scale, this was toned down to a five-point scale when analysis and summary of results were made. The amendment was found to be consistent with percentages that had been applied. According to Johnson & Christensen (2004) scales from four-point scales to eleven-point scales could be used. This is due to the fact that the three-point scale may not be reliable while an eleven-point scale may be confusing.

The graphs below summarise the responses per proposition made under each identified challenge to a successful implementation of a regional cross-border inter-bank settlement systems.

The target population was thirty nine (N= 39). It was expected that each member country would provide feedback based on three questionnaires sent to them. Only thirteen out of 14 SADC member countries were requested to provide responses. This excluded Madagascar as this country is still new in the SADC region.

Eighteen (n = 18) responses were received, representing about 46 percent of the total expected responses. The targeted population were the members of central banks in the SADC region, who were and are still involved in the modernisation programme of the payment systems, both in their respective countries and at the regional level.

Although the response rate was a bit disappointing to provide a satisfactory outcome, the payment, clearing and settlement system field is a specialised area in banking. However, payment systems play a major role in the economies of countries and contribute significantly to economic development in general. In view of the foregoing, the researcher notes that the extent of feedback was significant at 46 percent.

5.2.2. Tables on the analysis of responses

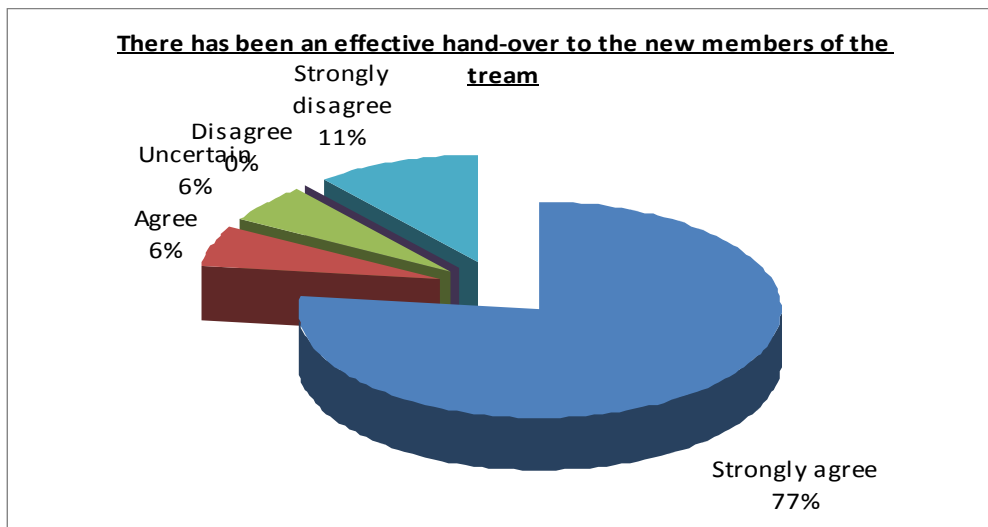
The following is the summary of the responses. These are reflected on the eight tables based on the identified challenges facing the successful implementation of the SADC cross-border and inter-bank settlement systems.

Table 1 Continuity of country- specific teams

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	TOTAL
A	14	1	1	0	2	18
B	3	4	1	2	8	18
C	5	2	1	1	9	18
D	0	0	0	5	13	18
E	13	2	1	1	1	19
TOTALS	35	9	4	9	34	90

KEY

A: There has been an effective hand-over to the new members of the team to sustain the objectives set out when the modernisation commenced in my country.



The responses (77 percent) suggest that there has been an effective handover to the new members of the teams charged with the modernisation programme in their respective countries. However, a small percentage (11 percent) indicated that they strongly disagreed on the effective handover.

The country-specific teams are an important element as they play an important role in the facilitation of the modernisation programme, both within their respective countries and in the region as a whole.

The additional comments on the above indicate the reasons why the country-specific teams are an important element in the facilitation of regional payment system modernisation process. These are:

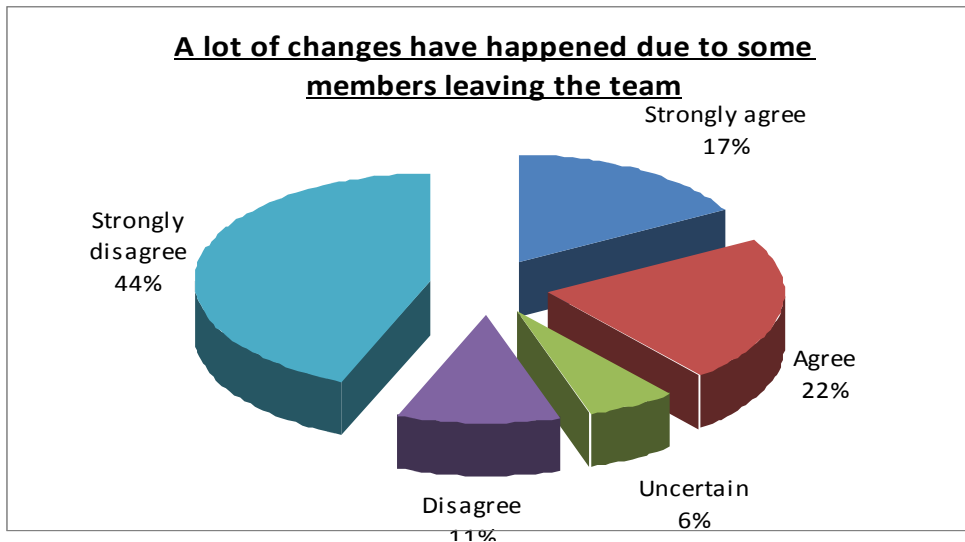
- *“A country still needs a team to coordinate the implementation of issues agreed (to) at the regional level”.*
- *“The SADC team has a pre-agreed strategy.*
- *“At country level initiatives are driven as projects by different teams within the central bank and not purely for modernisation initiatives”.*

The responses that disagreed with that there has been an effective hand-over to the new members of country specific teams included the following additional comments;

- *“There has been no succession planning in my country”.*

- “The project status (is) not so clear, few people currently are “on top of things””.

B: A lot of changes have taken place to the team due to some members leaving the original team, resulting in my country to depend on other countries and the SADC Project Team to ensure progress.

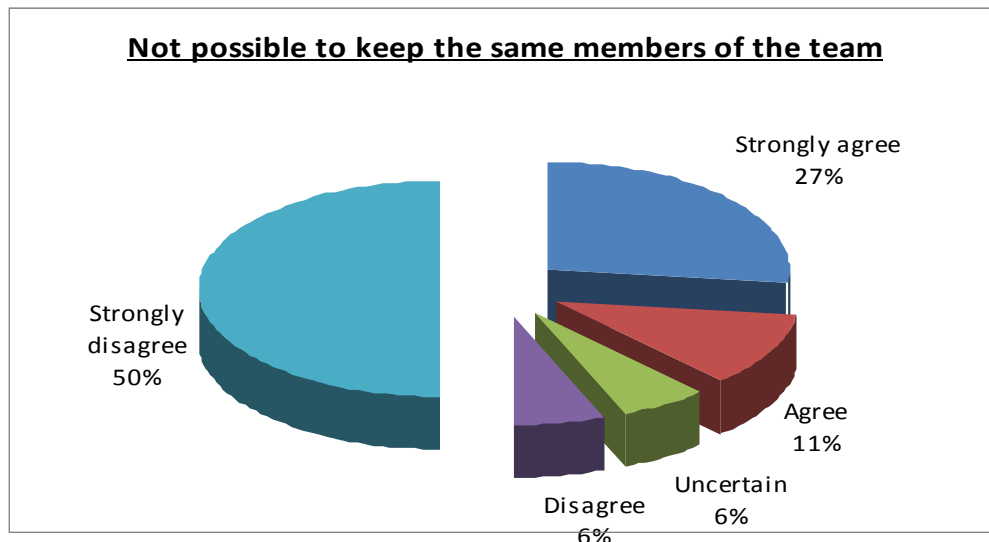


44 percent of the responses indicated a strong disagreement with the point that changes that have taken place within their respective country-specific teams made them depend on other countries or the SADC Project co-ordinating team.

It would appear that the countries do their best to keep their respective teams with an intention to sustain the development initiatives. This is confirmed by one of the comments above that a SADC team had a pre-agreed strategy.

The 17 percent (strongly agree) and 22 percent (agree), respectively, indicated that a lot of changes had taken place due to some members in the team leaving. It is clear that some challenges could be encountered in the facilitation of payment system modernisation in their respective countries.

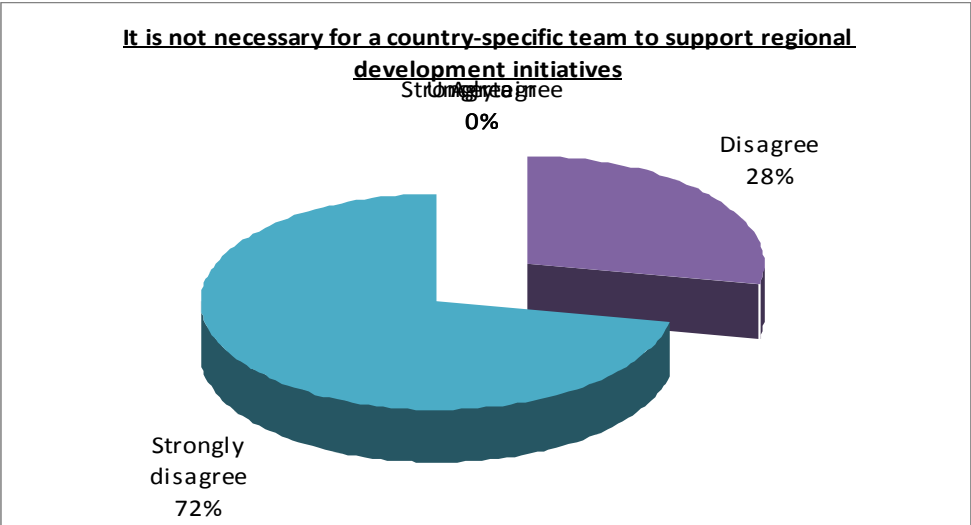
C: The circumstances in my country are such that it has not been possible to keep the same members of the team to support the modernisation initiatives.



The majority (50 percent) of the respondents indicated that they strongly disagreed with to that due the circumstances in their respective countries. It had not been possible to keep the same members in their teams. The circumstances were not articulated and were, however, indicated under the additional comments, which respondents were asked to provide, particularly the comment which states thus, *“a country still needs a team to coordinate the implementation issues agreed (to) at the regional level. However some members are no longer in the banking industry or have been assigned other duties that have no bearing on payment systems”*.

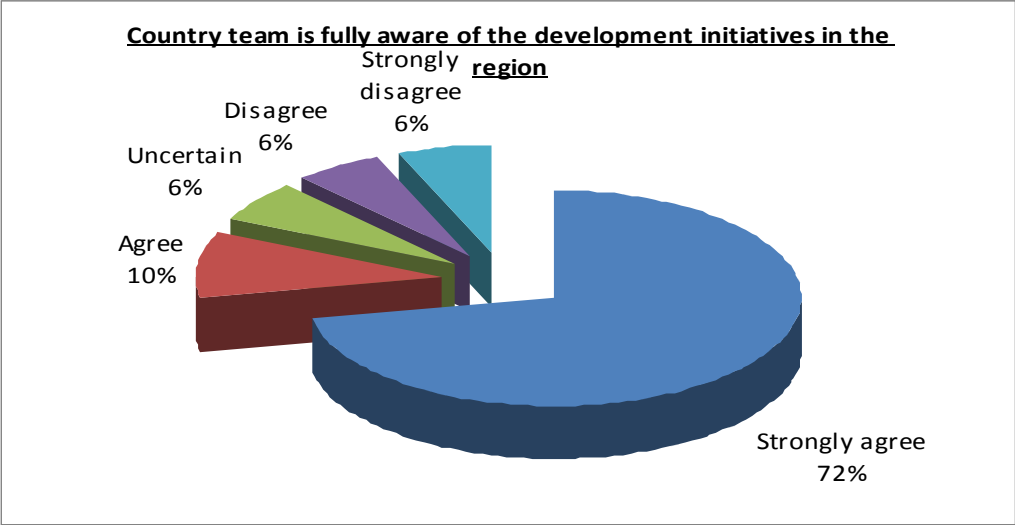
A relatively large percentage (27 percent – strongly agree and 11 percent – agree) of 38 percent were affirmative to the assertion that the circumstances in their countries had made them not to continue with the same members in their teams.

D: It is not necessary to have a country-specific team to support modernisation in my country because the modernisation initiatives are achieved through regional group effort.



All the respondents (72 percent – strongly agree and 28 percent – agree) disagreed with the proposition that it is not necessary to have a country-specific team to support modernisation because this effort could be achieved through a regional group effort. This tends to emphasise the cardinal point that a country-specific team is an important link between other member countries and a country in regional payment systems development.

E: In my country the team is fully aware of the regional payment system development initiatives and the members have been together for years already.



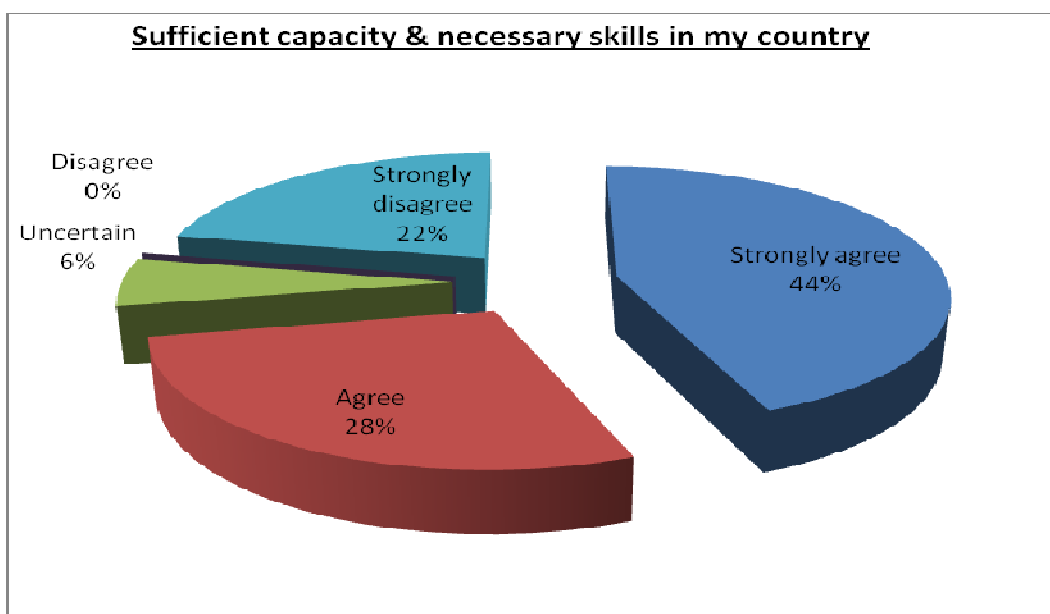
Most respondents agreed (72 percent- strongly agree and 10 percent agree) that their respective country-specific teams were fully aware of the regional

payment development initiatives. This is an indication that each country is aware of the mandate and its responsibility to support regional harmonisation initiatives on payment systems.

Table 2 Capacity and skills in payment, clearing and settlement systems

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	TOTAL
A	8	5	1	0	4	18
B	10	4	1	0	3	18
C	14	4	0	0	0	18
D	0	2	0	1	15	18
E	13	2	1	2	0	18
TOTAL	45	17	3	3	22	90

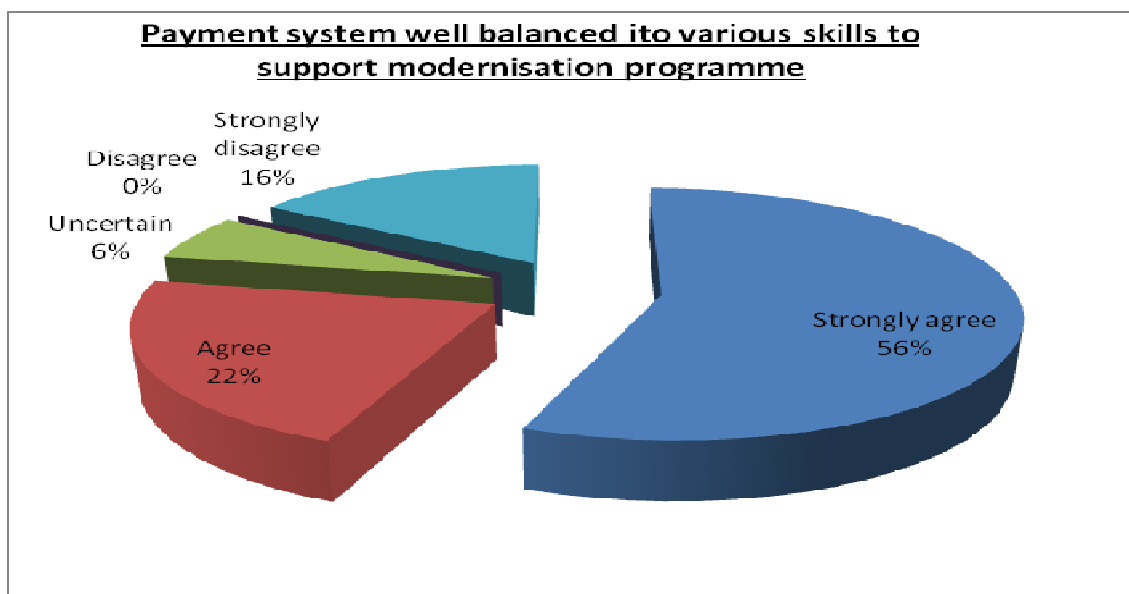
A: There is sufficient capacity including the necessary skills in my country to meet the requirements and challenges of payment systems developments.



The majority of the respondents indicated that they agreed with that there is sufficient capacity including the necessary skills in their respective countries to meet the requirements and challenges associated with payment systems developments. This is indicated by 44 percent (strongly agree) and 22 percent (agree) on the above graphic illustration.

However, 22 percent of the respondents strongly disagreed with the proposition. This is supported by additional comments such as that, *“we have experienced an exodus of our trained staff so there is a need to build capacity for new comeres”*. An additional “strong” comment pointing to disagreement with the proposition states thus: *“There is still no commitment in consistently build(ing) payment system capacity within my bank and the main reason is that the full understanding and appreciation of payment systems is still lacking at senior management level and therefore the support is not there when it comes to motivating and staffing of payment system resources”*.

B: The national payment system team is well balanced in terms of the various skills necessary to support the modernisation programme in my country.

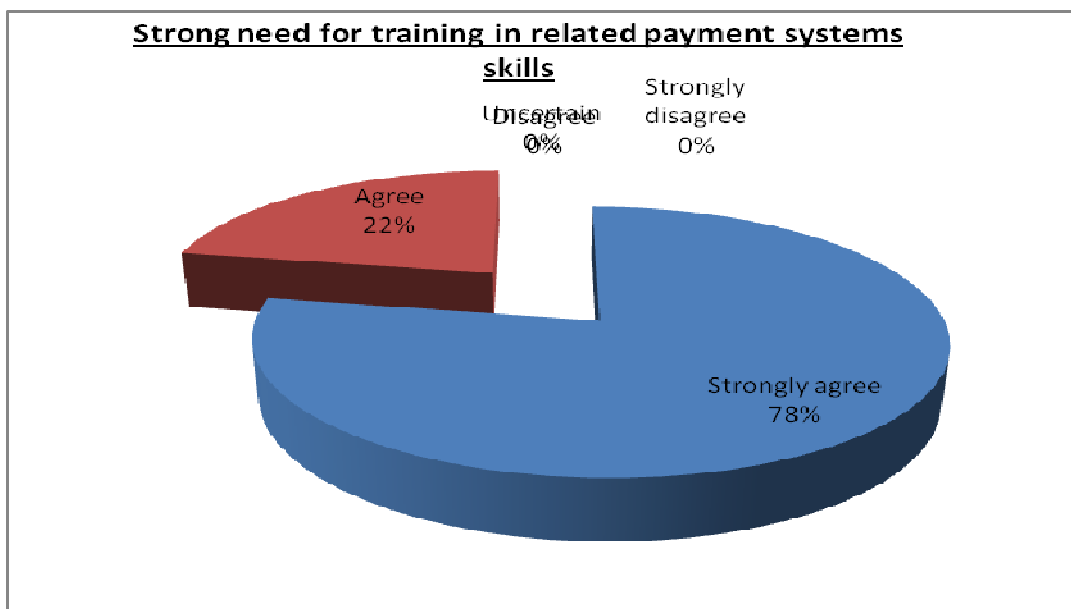


A total of 78 percent (56 percent – strongly agree and 22 percent – agree) indicated that their respective country teams are well balanced in terms of the various skills necessary to support the modernisation programme.

Only six percent indicated that they were uncertain, which could suggest that they needed to be committed to best international practice for them to be successful in beefing up their respective teams.

However, 16 percent strongly disagreed with this proposition and this was supported by additional comments stating thus: *“there is a need to make training more accessible and relevant”* and that, *“There is always training required”*.

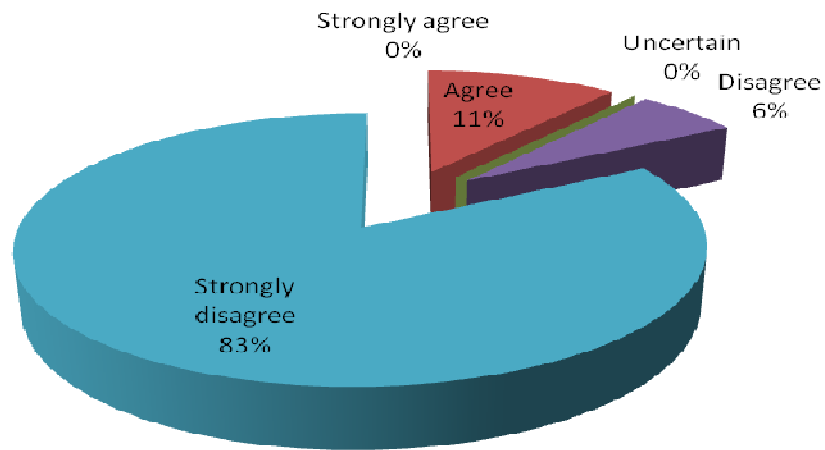
C: There is a strong need for training in related payment systems skills.



All the respondents agreed (78 percent – strongly agree and 22 percent – agreed) to the proposition that there is a strong need for training in payment system related skills. This was also supported by an additional comment that states thus: *“There is a need to keep skills/ knowledge relevant beyond the RTGS (real time gross settlement) and high value (payments)”*.

D: The current state of my country’s national payment system does not require specialised skills.

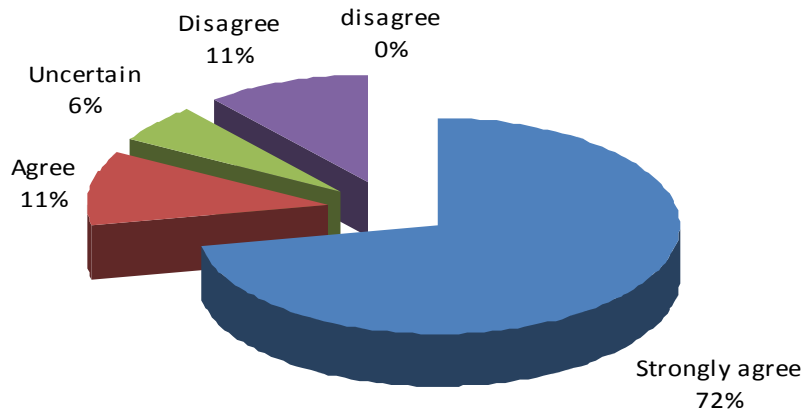
Country's national payment system does not need specialised skills



A fairly large 89 percent (83 percent – strongly disagree and 6 percent – disagree) of respondents disagreed with the statement that their current repair state of their countries' payment systems do not require specialised skills. This suggests the importance of on-going training in payment systems in the region.

E: My country's payment system strategy team is committed to capacity building and on-going training to complement the available skills.

Country strategy team committed to capacity building and on-going training



The illustration reflects 83 percent (72 percent – strongly agree and 11 percent – agree) that indicated that their strategy teams are committed to capacity building and on-going training to complement the available skills.

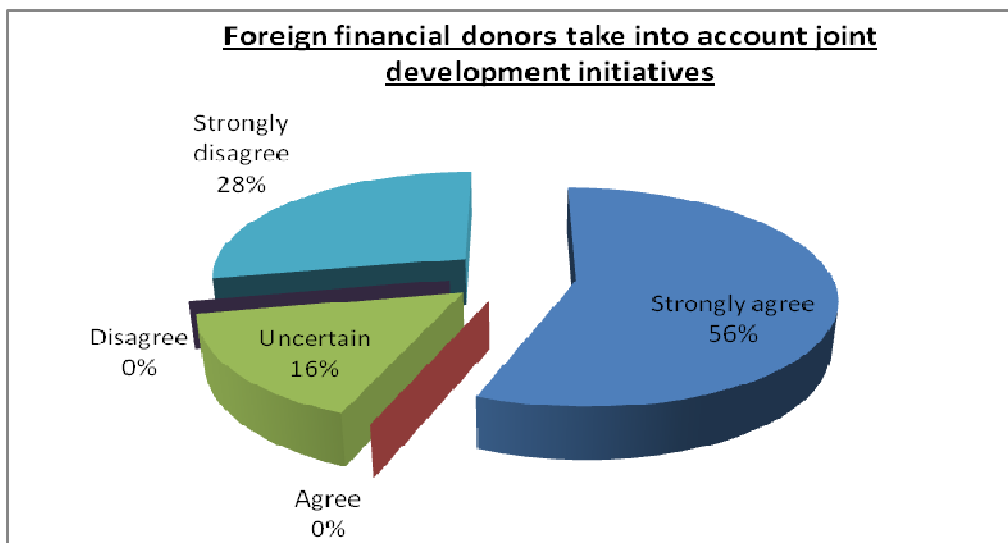
Only 6 percent disagreed with this proposition, which could be attributed to an additional comment that stated, *“There is still no commitment in consistently build(ing) payment system within my bank and the main reason is the full understanding and appreciation of payment systems is still lacking at senior management level and therefore the support is not there when it comes to motivating and staffing of payment system resources”*.

Table 3 Financial assistance and foreign financial donors

Table 3 deals with the challenge of financial assistance as influenced by foreign fund donors. The responses are reflected below with the pie charts reflecting these in percentage terms.

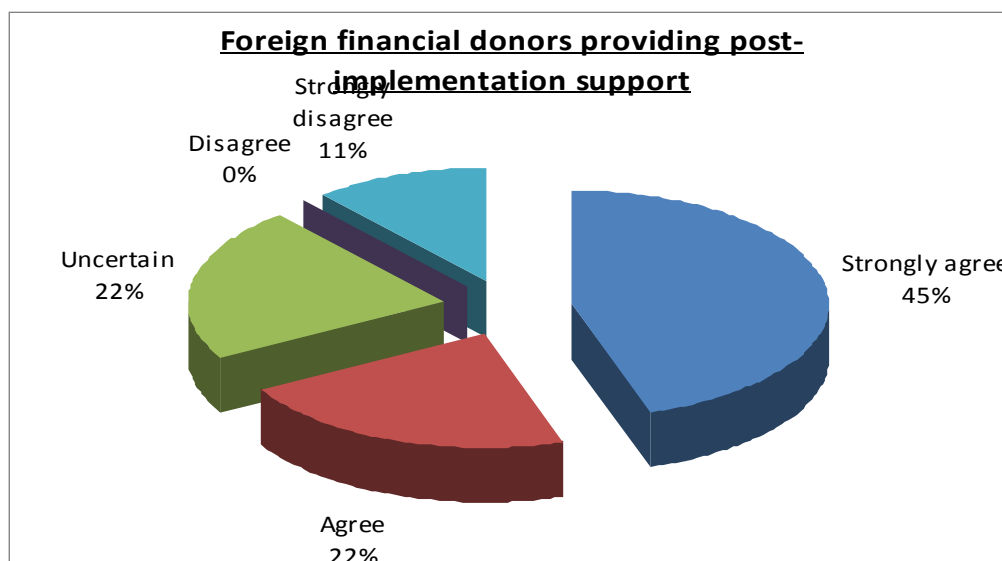
	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	TOTAL
A	10	0	3	0	5	18
B	8	4	4	0	2	18
C	3	4	1	0	10	18
D	9	3	5	0	1	18
TOTAL	30	11	13	0	18	72

A: In my country foreign financial donors take into consideration the joint development initiatives in the SADC region in providing for specific programme funding.



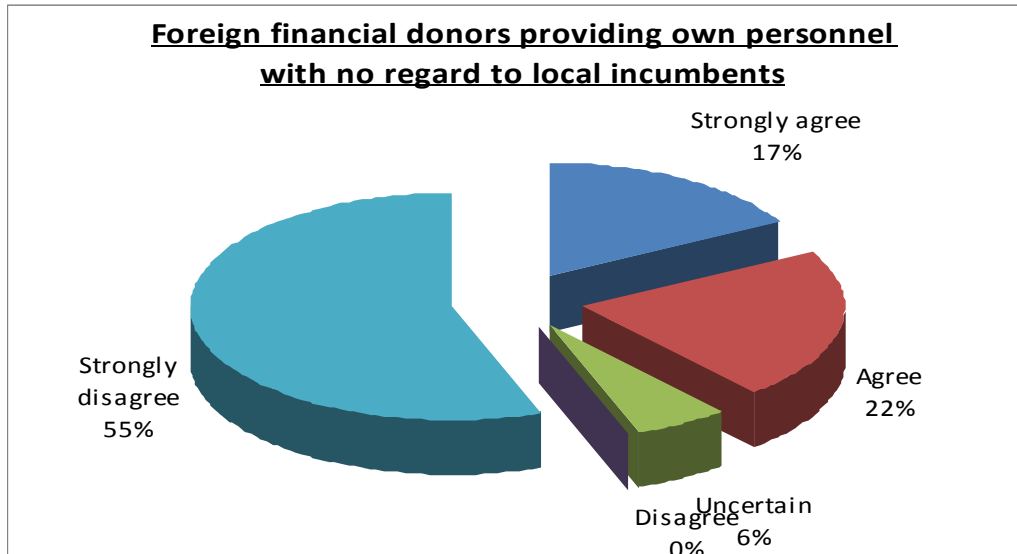
A total of 56 percent of respondents strongly agreed with the proposition that foreign fund donors take into consideration the joint development initiatives in providing for specific programme funding. However 28 percent strongly disagreed with this and 16 percent were uncertain.

B: Foreign financial donors always provide post-implementation support to sustain implemented programmes.



Sixty seven percent of the respondents (with 45 percent- strongly agree and 22 percent –agree) indicated that the foreign fund donors provide post-implementation support to sustain implemented programmes. 22 percent were uncertain and with 11 percent strongly disagreeing.

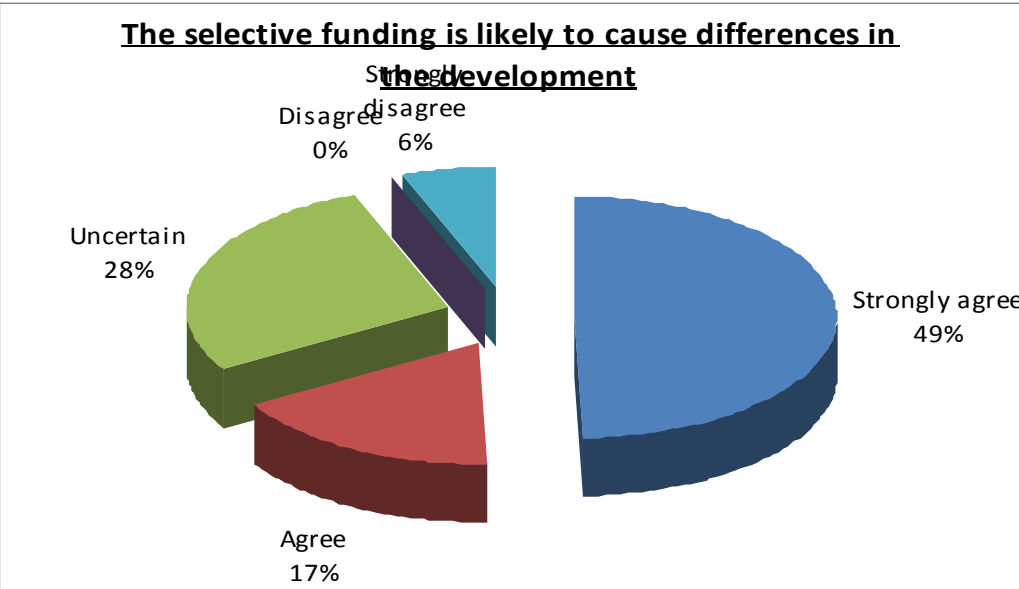
C: Foreign fund donors provide own experts to implement funded programmes with little involvement of the local incumbents.



Fifty five percent strongly disagreed with the proposition that foreign fund donors provide own experts to implement funded programmes with little involvement of the local incumbents. An additional comment which seemed to support the respondents states thus, *“In the case of IMF (like the provision of technical assistance in some areas), locals are involved in the execution of funded programmes”*.

Twenty two percent, however, agreed that the foreign fund donors provide own experts to implement funded programmes with little involvement of the local incumbents.

D: The selective funding by foreign donors is likely to cause differences in the levels of development among the SADC member countries.



The larger percentage (49 percent – strongly agree and 17 percent – agree) indicated that selective funding is likely to cause differences in the levels of development among SADC member countries. An additional comment was also made that, *“It is already happening that those SADC countries who secure separate assistance outside SADC Payment System Project make big advances in those areas where they get “private help”. This creates uneven regional development and should be discouraged. SADC Payment System Project Team must continue to source resources on behalf of the region. That we have more bargaining power and the whole region benefits. Right now there are individual countries sourcing IMF and World Bank assistance separately on payment systems”.*

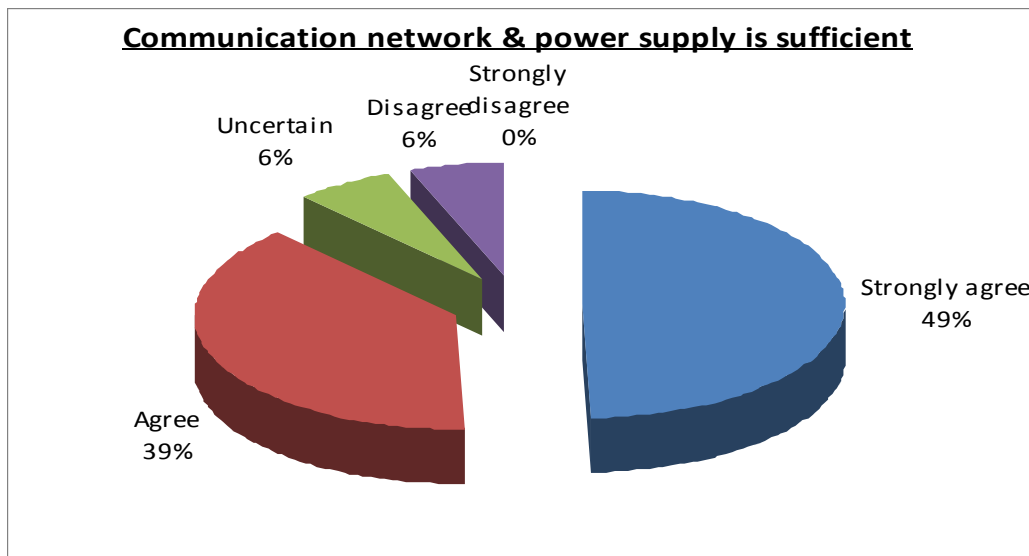
However, 28 percent were uncertain on whether the selective funding by foreign fund donors is likely to cause some differences in the levels of development among SADC member countries.

Table 4 **Communication, power supply and infrastructure**

The table below reflects responses on the challenge of communication, power supply and infrastructure, which could impact the successful implementation of cross-border inter-bank settlement systems.

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	TOTAL
A	9	7	1	1	0	18
B	10	5	2	1	0	18
C	5	3	5	2	3	18
D	8	3	5	0	2	18
TOTAL	32	18	13	4	5	72

A: Communication network and power supply are sufficient to support the development in respect of the cross-border inter-bank settlement systems in my country.

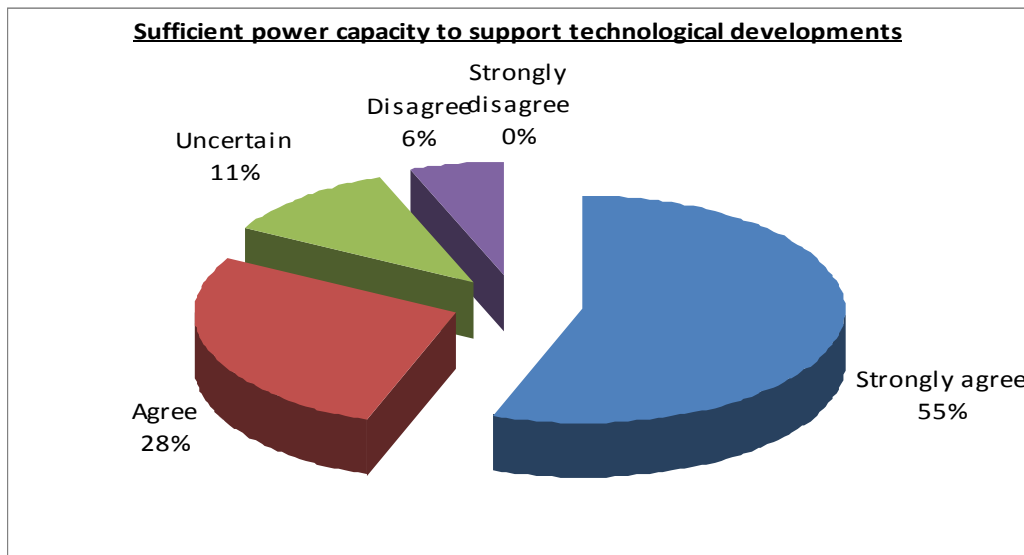


Most respondents, (49 percent – strongly agree and 39 percent – agree) indicated that communication networks and power supply are sufficient to support the developments in respect of the cross-border inter-bank settlement systems.

The above was amplified by an additional comment that, *“There is a reliable power and communication to big towns; rural areas are yet to have a reliable power and communication. Although the use of mobile phones have helped somewhat”*.

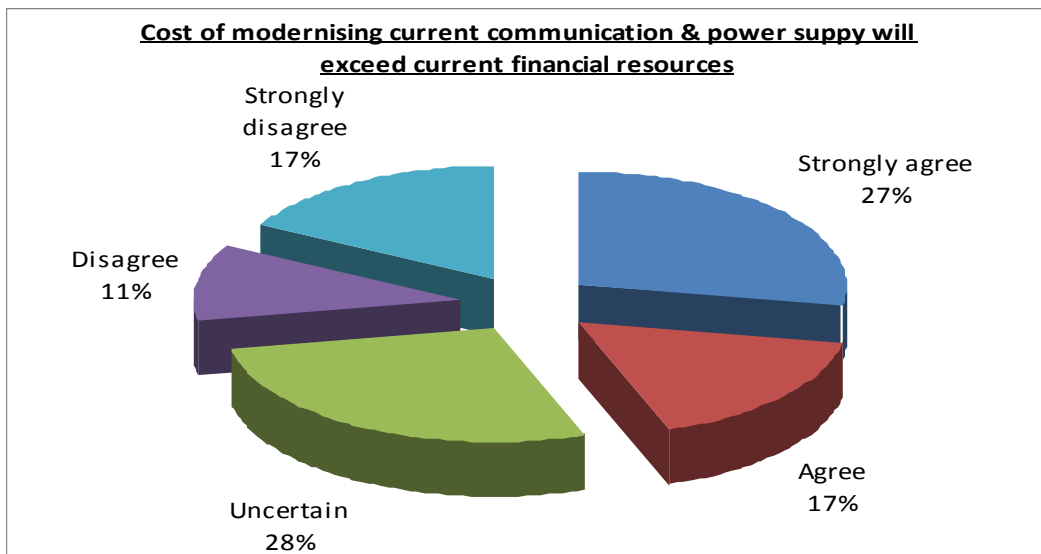
Other respondents were uncertain, indicated by 6 percent of responses, whilst a further 6 percent of respondents strongly disagreed.

B: There is sufficient power capacity to accommodate technological development and advancement in my country.



On the proposition that there is sufficient power capacity to accommodate technological development and/or advancement, 55 percent strongly agreed and 28 percent agreed, whilst 11 percent were uncertain. This could be attributed to the fact that it is only in urban areas or where there are large towns that the capacity is sufficient excluding the upcountry areas. Six percent of the respondents disagreed with this proposition and indicated this with an additional comment that *“There are frequent power outages”* and that *“there is a power supply problem in RSA, Namibia, Zambia and Zimbabwe”*.

C: The cost of modernising the current communication and power supply infrastructure will exceed the current financial resources in my country.

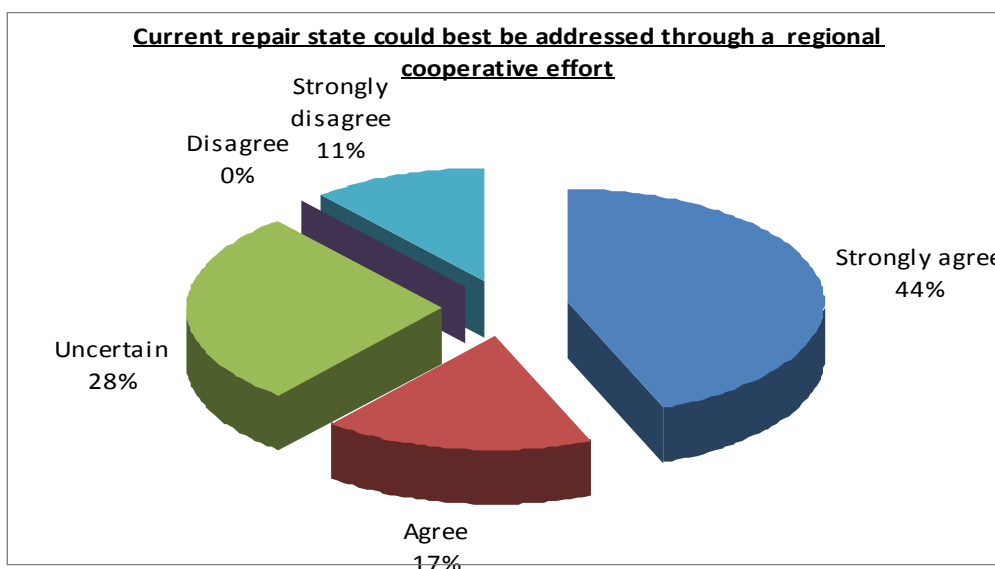


The above proposition was met with mixed responses in that 27 percent of the respondents strongly agreed, while 17 percent agreed that the cost of modernising the current communication and power supply will exceed current financial resources. A further 17 percent (strongly disagreed) and 11 percent (disagreed), while 28 percent of the respondents were uncertain.

This may be an indication of the differences that countries may have with regard to the repair state of their respective communication and power-supply infrastructure. This is affirmed by responses on the proposition that is reflected as number D below.

D: The current repair state of communication and power supply infrastructure in my country could be best addressed through a co-operative effort by all member states in SADC to gain optimal advantage.

In their responses to the above, 61 percent (44 percent – strongly agree and 17 percent – agree) indicated that their agreement with the above proposition that the repair state of communication and power supply infrastructure could be best addressed through a co-operative effort by all member states in the region in order to gain optimal advantage.



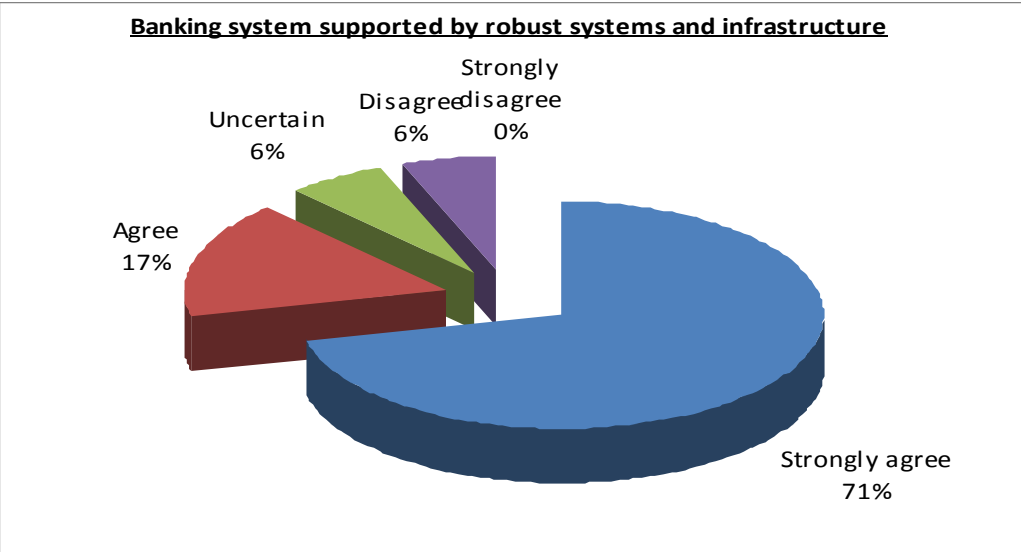
However, 28 percent of the responses were uncertain, whilst the remainder of 11 percent strongly disagreed.

The above could be attributed to a number of factors such as that the countries could benefit where a joint or concerted effort is considered, which could augur well for the macroeconomic convergence initiatives.

Table 5 The banking system and flow of financial information

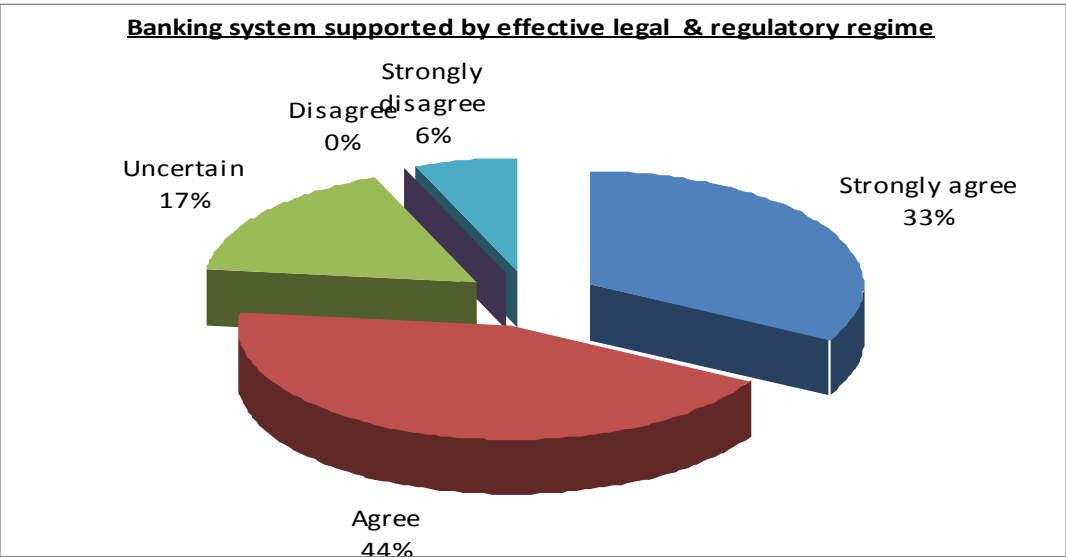
	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	TOTAL
A	13	3	1	1	0	18
B	6	8	3	0	1	18
C	12	3	2	0	1	18
D	15	0	2	0	1	18
E	15	3	0	0	0	18
TOTAL	61	17	8	1	3	90

A: The banking system is supported by a robust system and infrastructural grid to facilitate an effective flow of critical financial information in my country.



Seventy one percent of the respondents strongly agreed to the banking system in their respective countries is supported by robust and infrastructural grid to facilitate an effective flow of critical financial information. Seventeen percent also agreed to the proposition.

B: The banking system is supported by an effective legal and regulatory regime to facilitate cross-border transactions development in my country.



A combined total of 77 percent of the respondents (33 percent – strongly agree and 44 percent – agree) indicated that they agree with the proposition

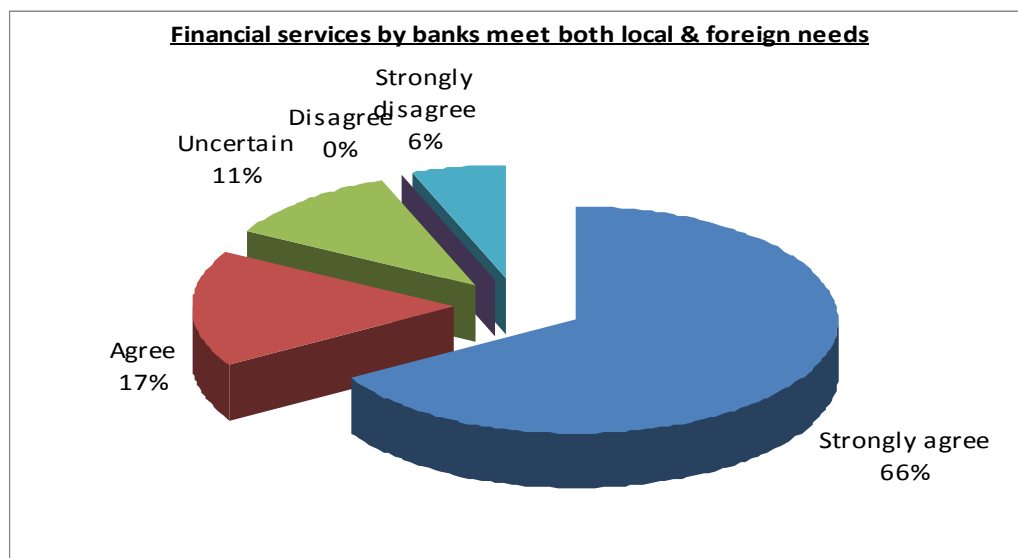
that the banking system is supported by an effective legal and regulatory regime to facilitate cross-border transactions.

Seventeen percent of the respondents indicated that they were uncertain, whilst 6 percent strongly disagreed with this proposition.

Although there was a high percentage of respondents in agreement with the proposition that the banking system is supported by an effective legal and regulatory regime to facilitate cross-border transactions, additional comments reflected that there are still issues that need to be addressed or attended to. These state thus, “[the] lack of National Payment System (NPS) Act or tested legal agreements to curtail/ minimise potential legal risks in a domestic leg of a foreign transactions”.

A further additional comment goes thus, “[there is a] need to create more certainty and look at foreign exchange regulations”.

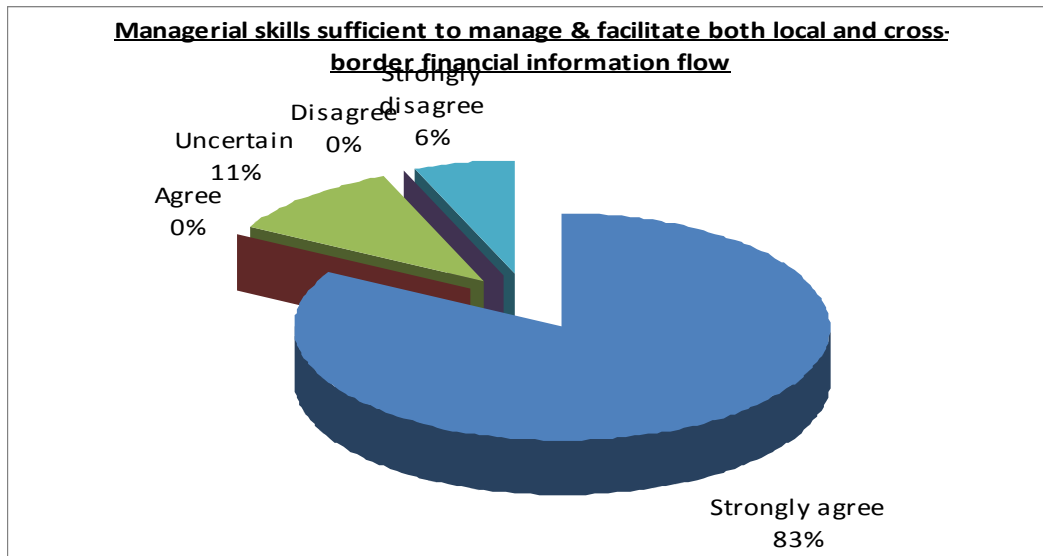
C: In support of the big business, commercial banks provide financial services that meet both domestic and foreign needs.



A large percentage (66 percent – strongly agree) also including 17 percent – agree; showed that commercial banks provide financial services that meet both domestic and foreign needs.

Eleven percent of the respondents were uncertain, whilst 6 percent strongly disagreed.

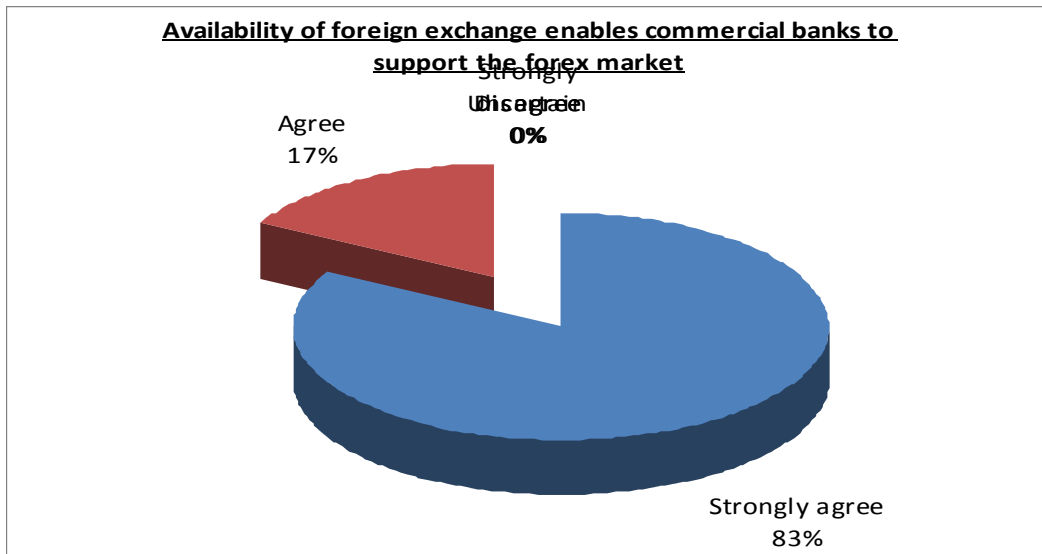
D: The management skills in commercial banks are sufficient to manage and facilitate both local and cross-border financial information flow in my country.



A majority of 83 percent of the respondents strongly agreed with the proposition that the management skills in the commercial banks were sufficient to manage and facilitate both the local and cross-border financial flow of information.

Eleven percent of the respondents were not certain while 6 percent strongly disagreed with this proposition.

E: The availability of foreign exchange enables the commercial banks to support the foreign-exchange market and other financial information flow in my country



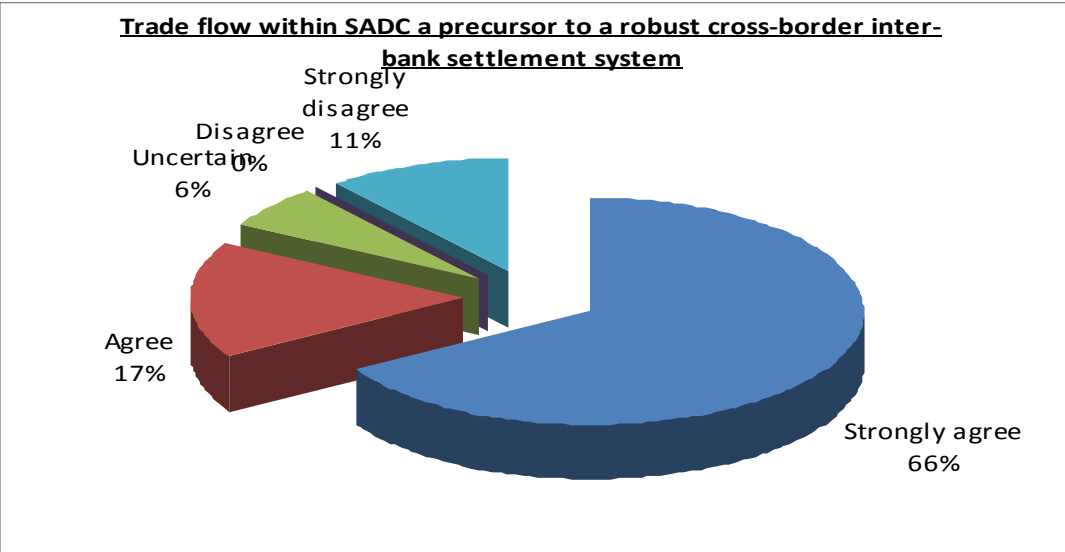
The majority of respondents (83 percent) strongly agreed to the proposition that the availability of foreign exchange enables commercial banks to support the foreign-exchange market. The rest of the respondents (11 percent) also agreed with this proposition.

Table 6 Flow of trade and trends in the SADC region

This table of responses reflects the extent to which the flow of trade within the region could impact on the successful implementation of the cross-border inter-bank settlement systems.

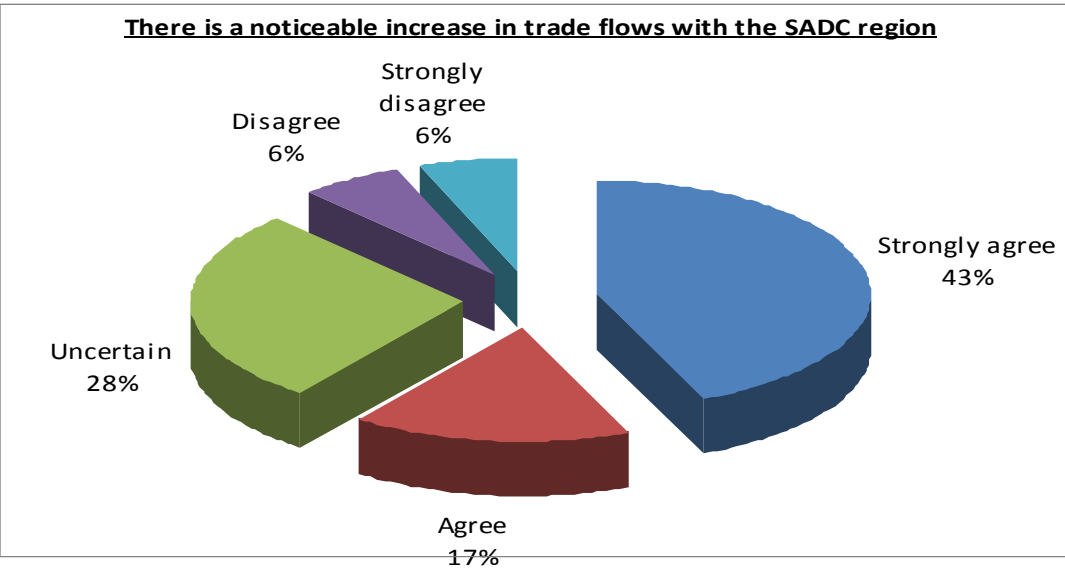
	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	TOTAL
A	12	3	1	0	2	18
B	8	3	5	1	1	18
C	2	2	2	3	9	18
D	7	0	1	1	9	18
TOTAL	29	8	9	5	21	72

A: The flow of trade within the SADC region is a precursor for a robust cross-border inter-bank settlement system.



A combined 83 percent of the responses (66 percent strongly agree and 17 percent agree) indicated that they agree to the proposition that the flow of trade within the SADC region is precursor for a robust cross-border inter-bank settlement systems. However, 11 percent strongly disagreed, whilst 6 percent were uncertain.

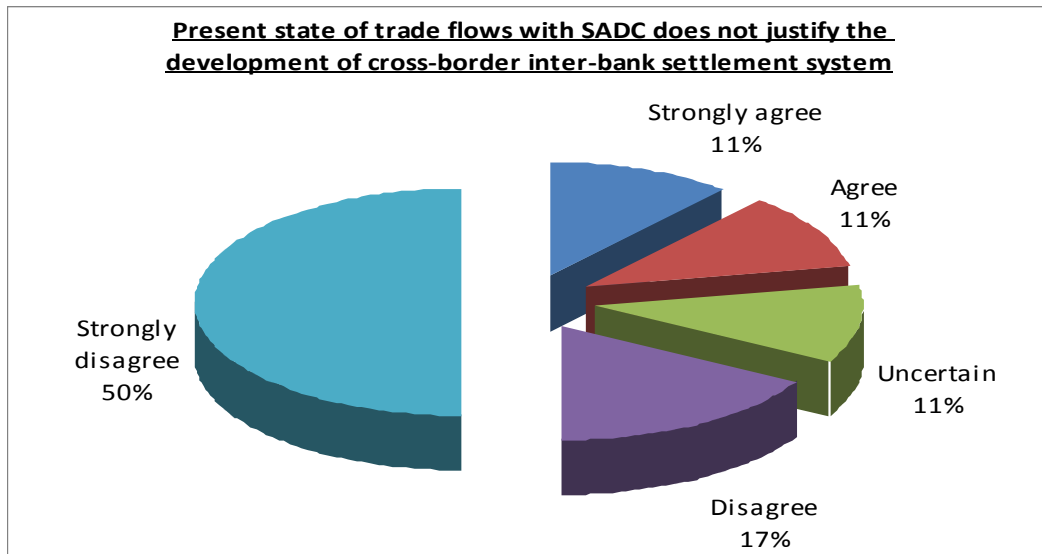
B: There is a noticeable increase in the flow of trade within the SADC region.



Forty three percent of the respondents strongly agreed and 17 percent agreed to that there is a noticeable increase in trade flows within the SADC region.

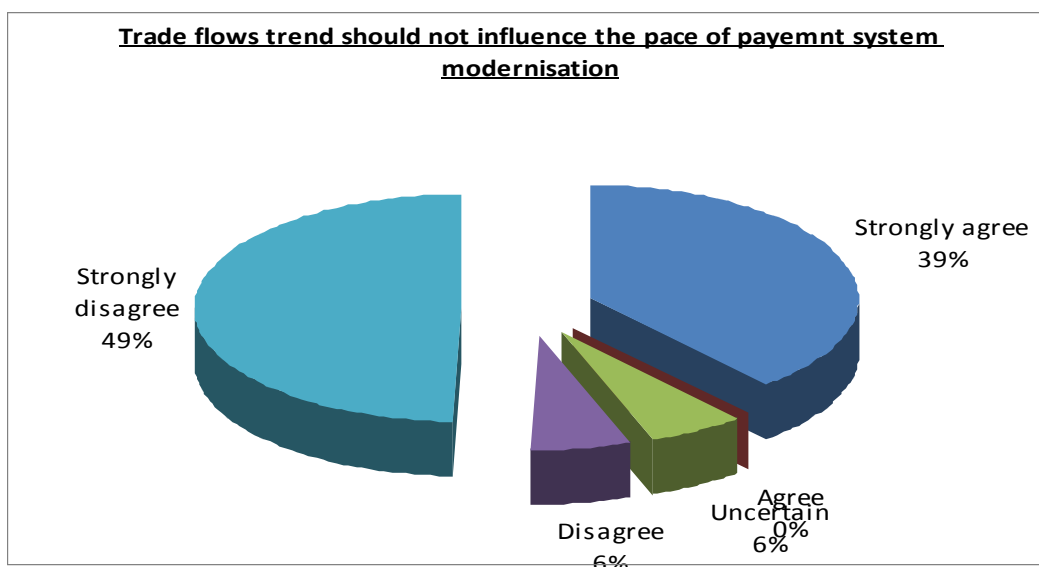
Twenty eight percent were not sure, whilst the remaining combined 12 percent of respondents (6 percent strongly disagree and 6 percent disagree) disagreed with the proposition.

- C: The present state of trade flows within the SADC region does not justify the development of the SADC cross-border inter-bank settlement systems.



On the statement that the present state of trade flows within the SADC region does not justify the development of SADC cross-border inter-bank settlement system, a combined 67 percent of the respondents (50 percent strongly disagreed and 17 percent disagree) disagreed with the statement. 22 percent consisting of 11 percent (strongly agree) and a further 11 percent (agree) indicated that they agreed with the proposition.

- D: The trend on the flow of trade within the SADC region should not influence the modernisation of the regional payment systems.



39 percent of the respondents agreed with that the trend on the flow of trade within the SADC region should not influence the pace of regional payment system modernisation programme. However, 55 percent (49 percent strongly disagree and 6 percent disagree) indicated that they disagreed with that the flow of trade should not influence the pace of regional payment systems modernisation.

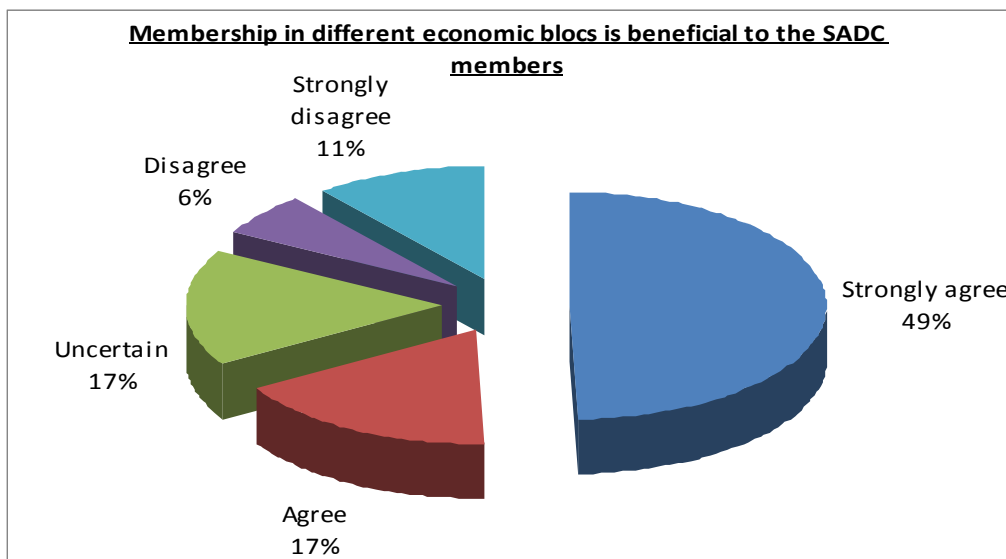
This is attributable to additional comments made by the respondents that there is a *“need to get/let economic factors correct or grow track before putting on solutions which potentially become white elephants”*. This is an indication that dependencies on certain development programmes cannot be ignored.

Table 7 Membership in other regional economic formations

The respondents were expected to provide feedback on membership with other regional formations, such as the East African Monetary Area (EAC) and the Common Monetary Area (CMA). The objective was to determine the extent to which this factor impacts on the successful implementation of the SADC cross-border inter-bank settlement systems.

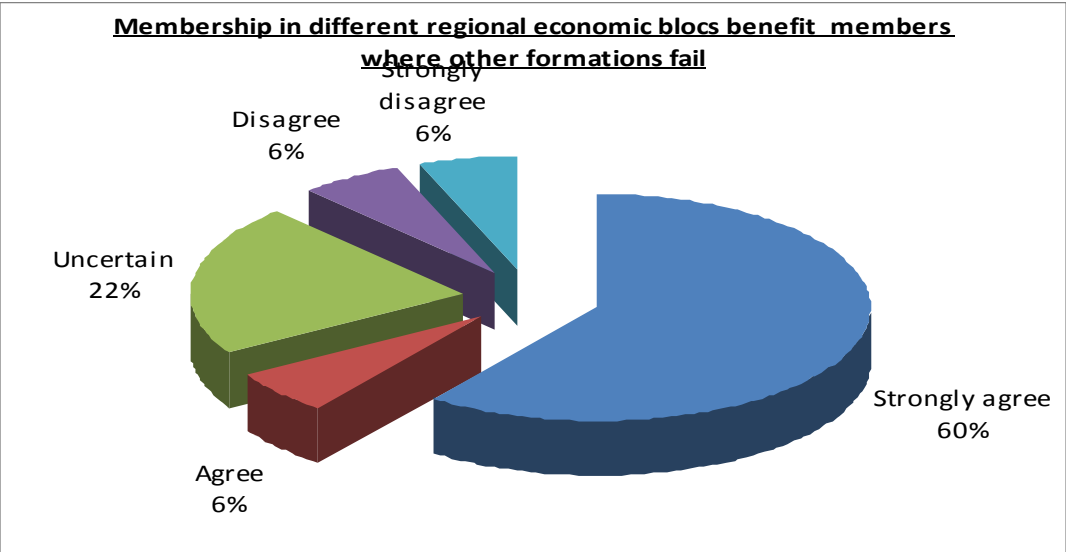
	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	TOTAL
A	9	3	3	1	2	18
B	11	1	4	1	1	18
C	10	2	3	1	2	18
D	4	4	6	1	3	18
E	14	2	1	1	0	18
TOTAL	48	12	17	5	8	90

A: Membership in different regional economic blocs/formations such as COMESA, EAC and others is beneficial to SADC member states.



Sixty six percent consisting of 49 percent (strongly agree) and 17 percent (agree) of the respondents indicated that they agree with the proposition that membership in different regional economic blocs or formations is beneficial to the SADC member countries. A combined 17 percent (11 percent strongly disagree and 6 percent disagree) disagreed, whilst the remainder of 17 percent were uncertain.

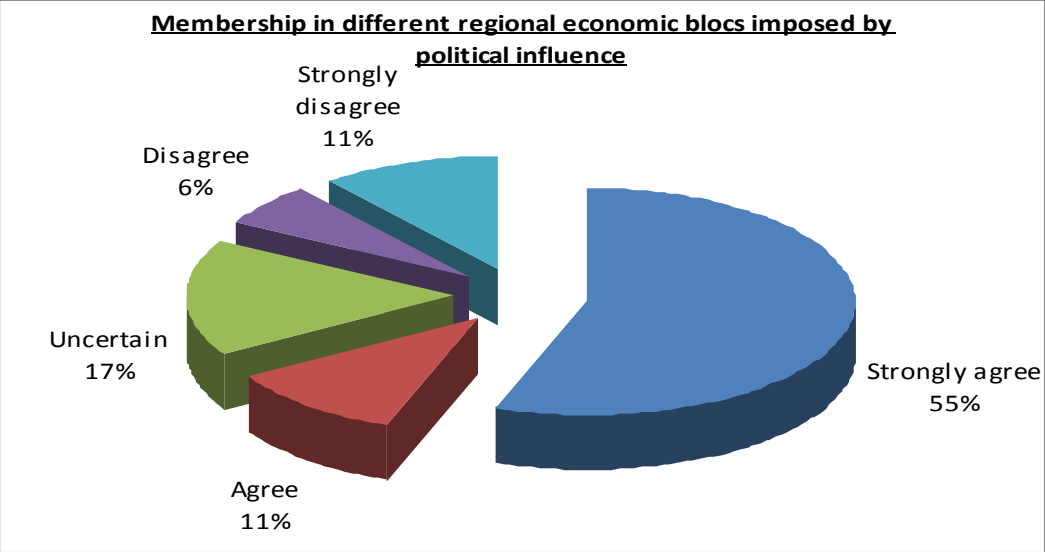
B: Membership in different regional economic blocs/formations benefits a member-country where other formations fail.



Sixty six percent of the respondents (60 percent strongly agree and 6 percent agree) agreed with that the membership in different regional economic formations benefits the SADC members where other formations fail.

Twelve percent of the respondents disagreed, whilst the 22 percent of the respondents were uncertain.

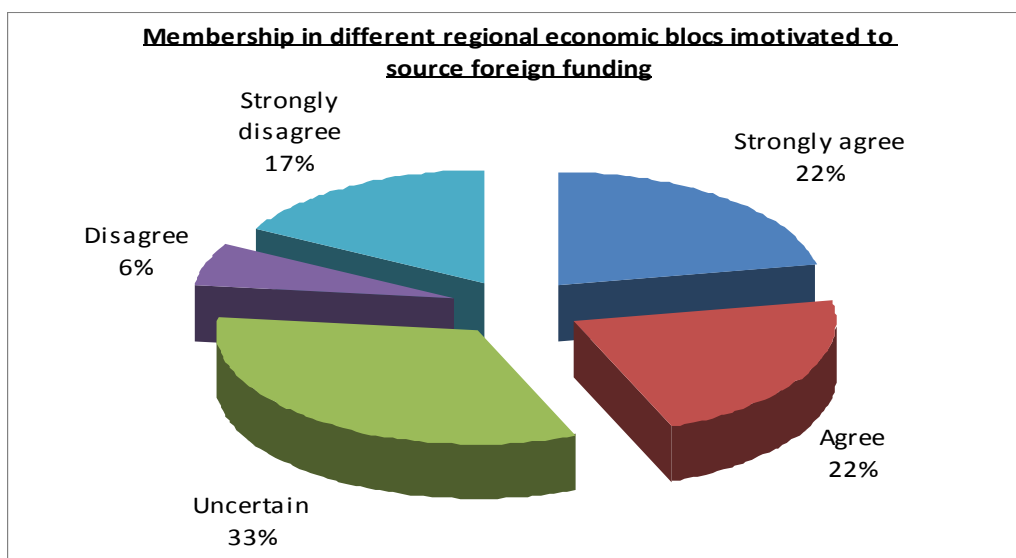
C: Membership in different regional economic blocs/ formations is imposed by political influence on certain development programmes.



A large percentage of respondents; 55 percent strongly agreed and 11 percent agreed, to that the membership in different regional economic formation was due to a political influence.

A total of 17 percent (11 percent strongly and 6 percent) disagreed to this proposition. A remainder of 17 percent were uncertain.

D: Membership in different regional economic blocs/ formations is motivated by a need to source foreign funding and assistance.

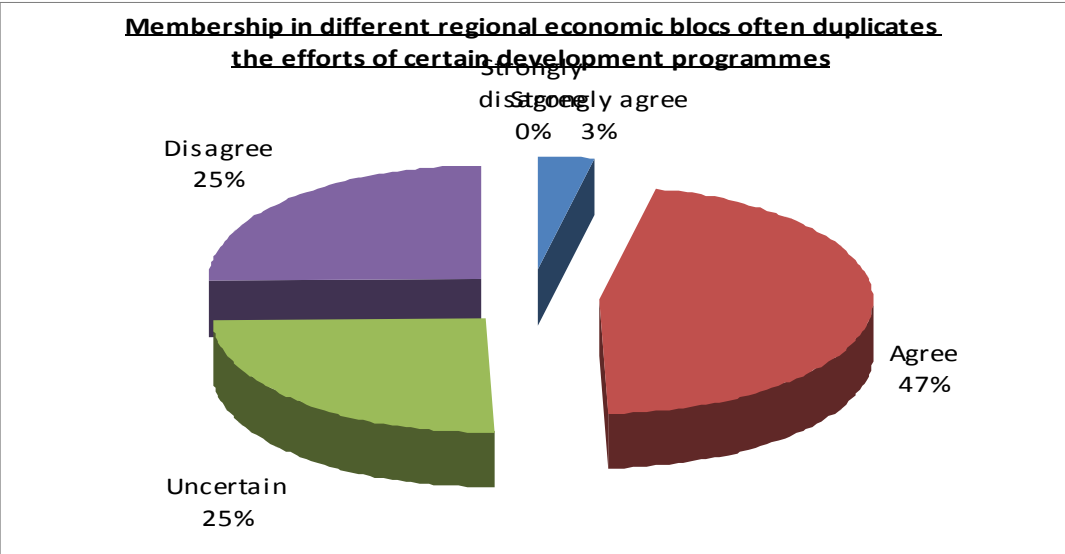


The responses on whether the membership in different regional economic blocs was motivated to source foreign funding were as follows: A total of 44 percent consisting of 22 percent strongly agreed and another 22 percent agreed.

33 percent were uncertain, whilst 6 percent and 17 percent strongly disagreed and disagreed, respectively.

E: Membership in different regional economic blocs/formations often duplicates efforts of the progress made by certain development programmes.

On the above proposition, 47 percent of the respondents agreed whilst 25 percent of the respondents disagreed. A further 25 percent were uncertain.



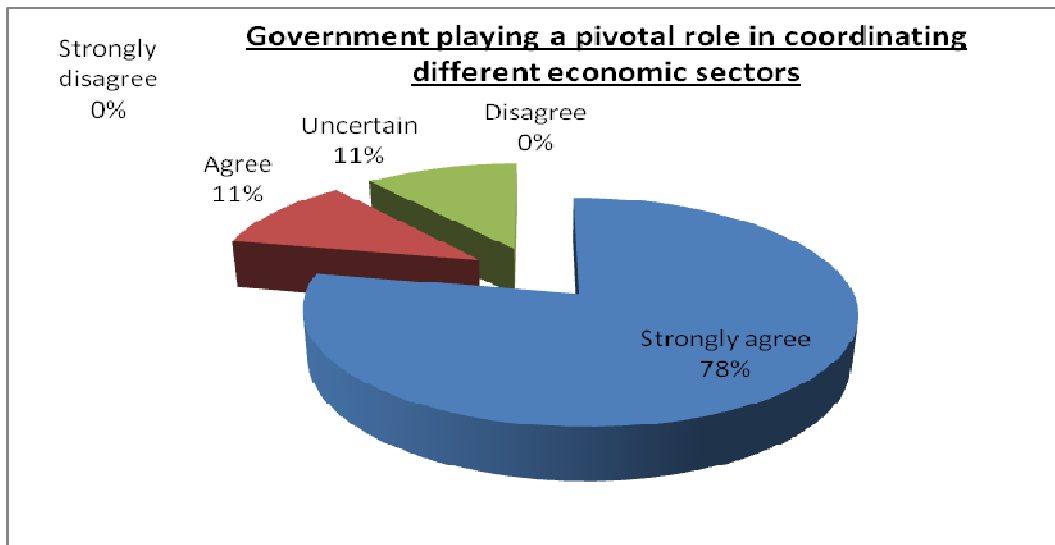
The additional comments from the respondents amplified their responses as follows: “Some efforts of COMESA, EAC and SADC are indeed being duplicated”. A further comment stated thus; “multiple schemes lead to distraction of resources and hamper progress”.

Table 8 Economic system

This table aims to highlight an economic system as a possible factor that could stifle a successful implementation of SADC regional cross-border inter-bank settlement systems.

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	TOTAL
A	14	2	2	0	0	18
B	12	0	5	0	1	18
C	10	0	3	3	2	18
D	1	1	1	3	12	18
E	8	4	3	0	3	18
F	13	4	1	0	0	18
TOTAL	58	11	15	6	18	108

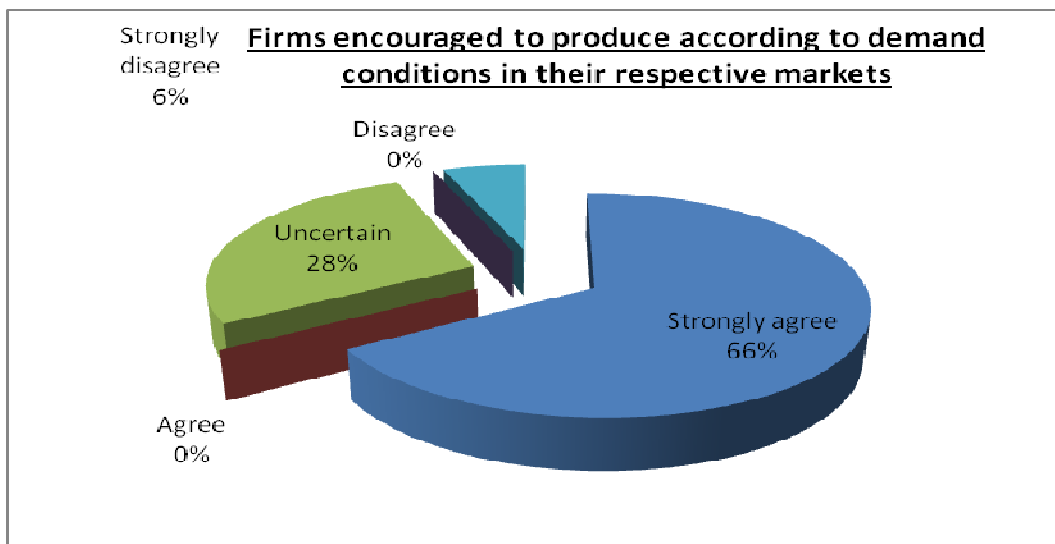
A: The government plays a pivotal role to co-ordinate the activities of different economic sectors in my country.



Eighty nine percent of the respondents (78 percent strongly agree and 11 percent agree) indicated that the government in their respective countries plays a pivotal role in co-ordinating different economic sectors.

The remaining 11 percent of the respondents were uncertain.

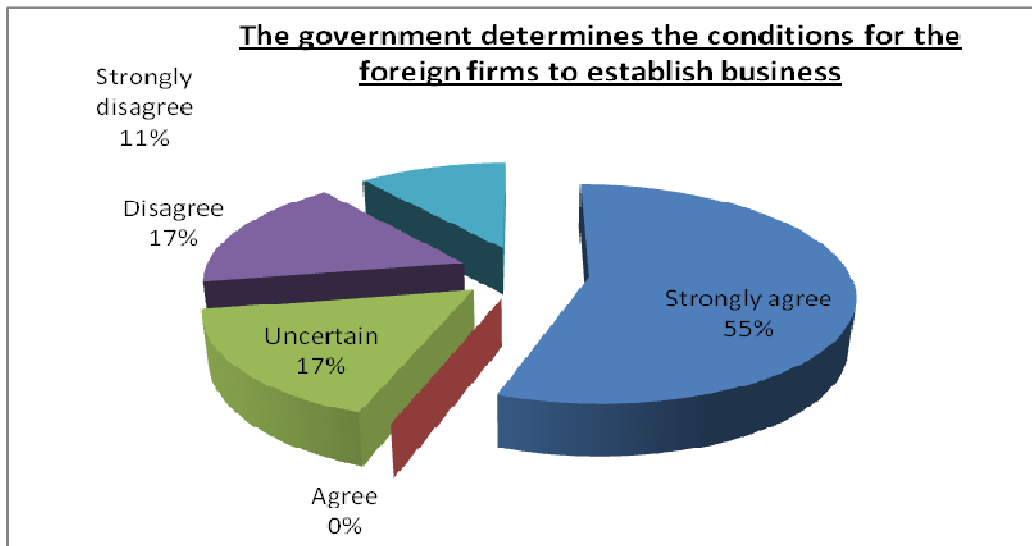
B: Firms are encouraged to produce according to demand conditions in their markets and conditions that prevail in the economy in my country.



Sixty six percent of the respondents agreed to that firms are encouraged to produce according to the demand conditions of their respective markets

prevailing in the economy. Twenty eight percent however, were uncertain, whilst 6 percent strongly disagreed.

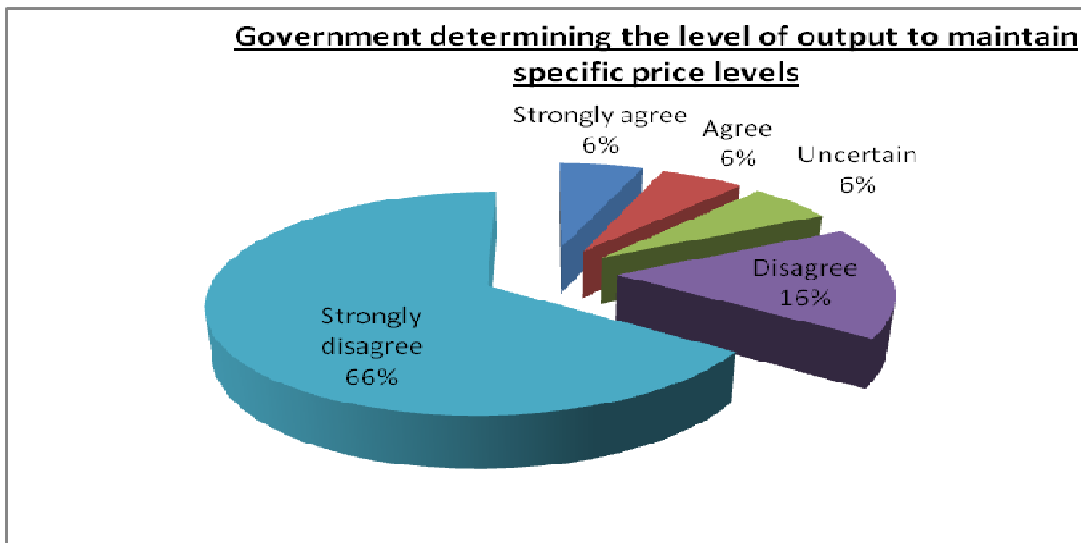
C: The government determines the conditions for foreign firms to establish their businesses or take ownership to local firms to protect local firms in my country.



Fifty five percent of the respondents strongly agreed with the proposition that the government determines the conditions for the foreign firms to establish businesses take ownership of local firms with a view to protect local firms in their respective countries.

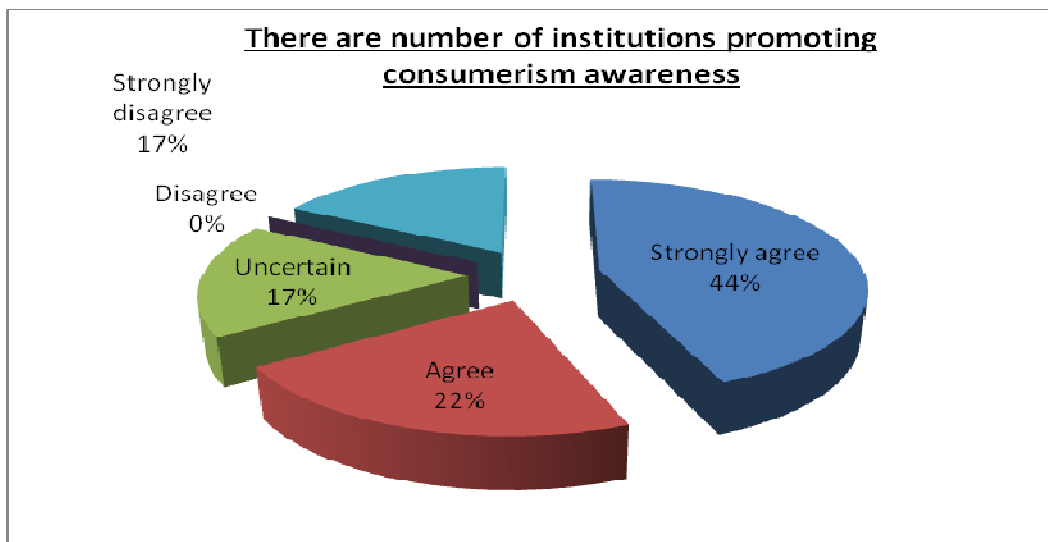
However, a combined 28 percent (11 percent strongly and 17 percent) disagreed with this proposition. 17 percent of the respondents were uncertain.

D: The government determines the levels of output or produce by firms to maintain certain levels of prices in my country.



Sixty six percent of the respondents strongly disagreed with that the government determines the levels of output to maintain certain price levels. An additional 16 percent also disagreed. A combined 12 percent of respondents agreed with this proposition whilst the remaining 6 percent were uncertain.

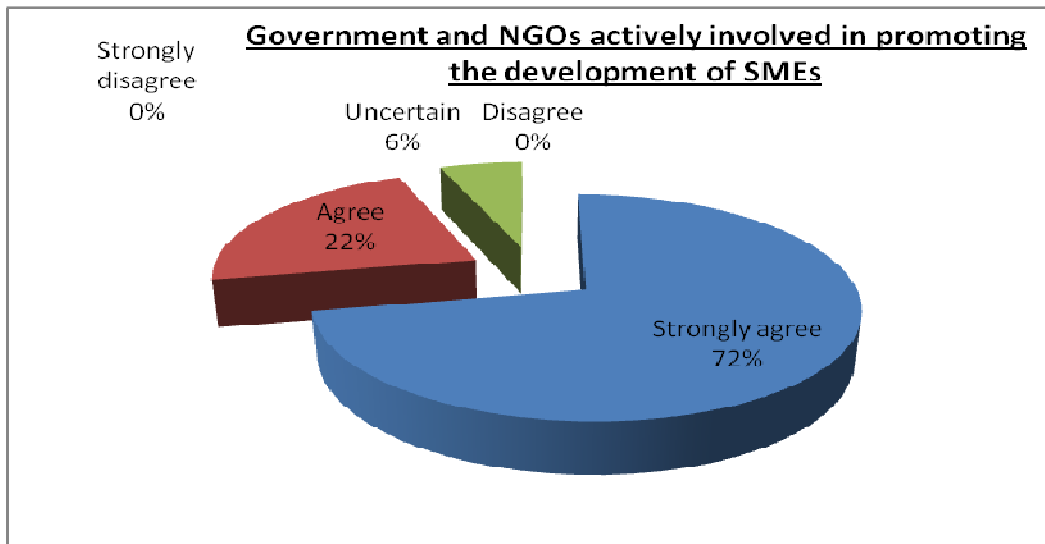
E: There are a number of agencies and government supported institutions that create awareness to consumerism in my country.



A combined 66 percent of the respondents (44 percent strongly agree and 22 percent agree) indicated that there are a number of agencies and government supported institutions that promote consumerism in their

respective countries. 17 percent were uncertain, whilst 17 percent of the respondents strongly disagreed with this.

F: The government and non-governmental organisations are actively involved in encouraging the development of small and medium sized firms in my country.



The majority of the respondents (94 percent, consisting of 72 percent strongly agree and 22 percent agree) indicated that their governments and non-governmental organisations are actively involved in promoting the development of small and medium enterprises. Only 6 percent of the respondents were uncertain.

However, the additional comments in respect of an economic system were articulated as follows: *“In selective markets or sectors, [there is a] need to reduce bureaucracy and utilise funds to market effectively. Need more focus beyond ‘words’”*.

5.3. Conclusion

This chapter presented the outcome of responses based on the questionnaire as indicated as *Annexure 1*.

Although the response rate was 46 percent on a target population of 39 (N=39), the absolute numbers of respondents was 18 (n=18). This amount is small to elicit a good overall response. The research notes this limitation and, however, points out that the payment system field is a specialist field in banking.

There were eight tables or main areas that were identified in this research report as possible challenges that could delay or stifle are successful implementation of the SADC regional cross-border inter-bank settlement systems. Under each main area, there were statements or propositions that were stated with the intention to gather more responses and additional comments.

A summary of responses was presented as illustrated by pie charts. Under each pie chart there are brief comments on the outcome of responses. The additional comments from the respondents were also provided where possible.

Further assessment or observations are presented in the next chapter.

CHAPTER 6: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

6.1. Introduction

This chapter is divided into two sections. The first section describes the strategic management and the implementation process of the payment system modernisation programme. This is in accordance with the purpose of the study as indicated in Chapter 1. The second section will discuss if the identified factors indeed posed any challenge to the successfully implemented SADC cross-border and inter-bank settlement systems. This is based on the responses discussed in Chapter 5. Conclusions and recommendations will be made where applicable.

6.2. The process of the strategic management implementation

Chapter 2 provided a description of the modernisation process adopted by the SADC Payment System Project. The project team adopted a generic strategic management process gleaned from various strategic management literature sources. This process was purely descriptive as asserted by Johnson & Christensen (2004: 347) that “the primary purpose of the descriptive research is to provide an accurate description or picture of the status or characteristics of a situation or phenomenon”.

The discussion below will look at the process of strategic management and implementation in relation to the SADC Payment System Project’s modernisation programme.

The process of strategic management is applied differently by different companies as long as the long-term goals of an organisation are achieved. The process pertains both profit making and not-for-profit making organisations. For the SADC Payment System Project, the strategic management process was adopted to achieve its main objectives that focused on the modernisation or development of each member country’s payment,

clearing and settlement systems as well the inter-linking of such systems for the benefit of regional trade and the international community.

The discussion was intended, through this case study, to reflect on how strategic management theoretical constructs can be translated into practice, thereby trying to meet the requirements of validity and reliability in relation to the practical situation.

As indicated elsewhere in this research report, the implementation process form part of the strategic management process and has its own challenges. This is noted by different sources of strategy implementation (Noble, 1999; Nutt, 1986), that there is no single method of strategy implementation.

Notwithstanding the above, the objectives set out have to be achieved in terms of the mandate of the SADC Payment System Project.

The strategic management process was gleaned from Aaker (1997), Pearce & Robinson (2003) as well as Thompson & Strickland (2003). These sources also identified the different levels in the organisation that are responsible for strategy formulation and applicable structures that should be in place for a successfully implemented strategy.

A table has been developed to summarise the process with the intention to reflect on the areas which are applied by the SADC Payment System Project. The strategic management process is classified into distinct managerial responsibilities as follows:

- Developing strategic vision and business mission;
- setting the long-term objectives;
- analysing environmental factors, both within the organisation and external factors;
- crafting the applicable strategy after environment scanning in order to ensure the objectives are achieved;
- implementing strategy (also referred to as strategy execution); and
- evaluating performance, monitoring new developments and initiating corrective adjustments (Thompson & Strickland, 2003).

The developed table is reflected below:

Strategy management theoretical constructs	The SADC situation
Strategic vision & business mission	<p>At the top level the SADC Summit Heads of States, the Council of Ministers and Standing Committee of Officials (All these are referred to as the “Troika” (see also <i>Figure 2.1</i>).</p> <p>The responsibility of the top-structure of management is to develop the strategic vision, as asserted by Thompson & Strickland (2003: 7) that “a strategic vision generally has much greater direction-setting and strategy making value”.</p> <p>The process of the top-structure management is providing a “statement” that needs to be translated into action. This is also seen as a cognitive process, emphasised through strategic thinking as Toft (2000: 3) stated that, “strategic thinking is a cognitive capacity involving both the rational and intuitive thinking and has a combination of rational analysis, imaginative integration of all different items into new patterns. Strategic thinking is basically creative and intuitive”.</p> <p>See also Pearce & Robinson (1998) and Aaker (1997).</p> <p>It is clear that the “Troika” set out long-term goals for the region and these are translated by the SADC Secretariat through the Regional Indicative Strategic Development Plan (RISDP).</p> <p>The SADC vision as agreed to by the Summit Heads is articulated as “a common future, a future in a regional</p>

Strategy management theoretical constructs	The SADC situation
	<p>community, that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice and peace and security for the people of Southern Africa” (www.sadc.int).</p>
<p>The business mission</p>	<p>The business mission defines the business scope and indicates where the organisation is going. The mission of the SADC region is encapsulated in the RISDP, which is administered by the SADC Secretariat. There are a number of programmes that are indicated in Chapter 1, which include Food, Agriculture and Natural Resources (FANR), the Trade, Industry, Finance and Investment (TIFI), Infrastructure and Services (I&S) and Social and Human Development and Special Programmes (SHS & SP). Each of these programmes the applicable Ministries under the Council of Ministers of respective departments/ministries.</p> <p>The focus of this research report is on TIFI, which is under the auspices of the Ministers of Finance.</p> <p>The programmes define the business mission of their respective focal areas. For example the vision and mission of the TIFI is “a reputable, efficient and responsive facilitator and promoter of economic policy framework for regional market integration”. (www.sadc.int)</p>
<p>Strategic analysis</p>	<p>The strategic analysis includes both the external and internal environmental factors. The analysis is</p>

Strategy management theoretical constructs	The SADC situation
	<p>achieved successfully through the strategic business units (Aaker, 1997). In the SADC situation, each programme, through the applicable ministries, has to analyse the environment factors affecting its area of specialisation. In the case of TIFI the analysis is cascaded down to relevant focus areas. The example of areas where the analysis is undertaken is at the level of committees, such as the Committee of Treasury Officials and the Committee of Central Bank Governors.</p>
<p>Strategy implementation <i>(At regional level)</i></p> <p>The office of the strategic management (OSM), Kaplan & Norton (1996)</p>	<p>The committees mentioned above form or appoint if not establish sub-committees, such as a Sub-Committee of Development Finance Institutions, a sub-committee dealing with the Fiscal Policy Framework under the Committee of Treasury Officials.</p> <p>The Committee of Central Bank Governors established a number of projects, such as the project responsible for the repatriation of currency, bank supervision, exchange control, payment system and many more.</p> <p>For the strategy to be implemented properly and monitored, a strategic management office (OSM) plays an important role as suggested by Kaplan & Norton (1996). In SADC this is achieved through the SADC Secretariat based in the SADC headquarters in Botswana, which also plays an important role in managing the milestones and other outcomes as defined in the RISDP.</p>
<p>Strategy implementation <i>(at project/ sub-committee level)</i> – Pearce & Robinson</p>	<p>The sub-committees and/or projects are seen as effective implementation tools. In the interpretation of the long-term objectives, these sub-committees and</p>

Strategy management theoretical constructs	The SADC situation
<p>(2003), Aaker (1997), Nutt (1986), Bourgeois & Brodwin (1984) and Thompson & Strickland (2003).</p>	<p>projects formulate their own short-term objectives and implementation tactics. The SADC Payment System Project's objectives are:</p> <ul style="list-style-type: none"> (a) To assist SADC individual member countries to define a domestic payment strategy and development plan; and (b) define a coordinated regional approach to cross-border payments taking into consideration the implications for trade, central bank policy, foreign exchange positions and controls. <p>For a successful implementation, the short-term objectives should be translated into functional tactics (Pearce & Robinson, 2003). In the SADC Payment System Project, the member countries agreed on uniformed implementation phases towards the computerised settlement systems referred to as the "real time gross settlement (RTGS)". To achieve this, the following phases were pre-agreed, and include:</p> <ul style="list-style-type: none"> - the sensitisation (creating awareness of the impending change) of industry stakeholders within each member country; - evaluating then current practices and procedures through a process referred to as the "stocktaking"; - developing a vision and strategy to ensure that the intended systems and implementation thereof do not digress. The vision and strategy documents were aligned with the long-term objectives articulated in the RISDP. These documents were to be signed by the most senior officials in the banking industry (in the respective countries) including the involvement of central bank governors; - defining business and technical specifications of the systems that were to be implemented;

Strategy management theoretical constructs	The SADC situation
	<ul style="list-style-type: none"> - undertaking a procurement process; and - implementing the intended systems. <p>Throughout this process, the SADC Payment System Project “core” team co-ordinated this process to ensure that a uniformed and concerted implementation process was successful. The countries are different in terms of economic development, infrastructural arrangements and many other factors. In this manner the country-specific challenges were also considered. The process was therefore not as intended to be and the countries reached the final implementation stage at different paces.</p>
Evaluation, continuous improvement and control	<p>The SADC Payment System Project “core” team has a standard procedure to report progress to the Committee of Central Bank Governors. This is one of the control instruments to ensure that the progress that is being made is monitored. Added to this, the co-ordination function by the “core” team is imperative and includes the maintaining good relationship with international institutions such as the World Bank, the International Monetary Fund, the Bank for International Settlements and many other prominent institutions of the advanced economies, such as the central banks of these economies.</p> <p>The relationship is critical for the SADC payment system development programme, especially in evaluating the progress made against international best practice and continuous improvement to ensure that the developments and/or advancements in payment system are maintained. This element points to the monitoring of new developments and initiating corrective adjustments.</p>

The above analysis suggests that the SADC Payment System Project applied the strategic management process quite well. It should, however, be noted that the process is not in discrete and sequential phases as suggested in the theoretical context. However, initial planning in practice is fundamental for actions that should be taken to achieved the envisaged outcome. Without proper planning, the process could easily derail from its set course if not managed through leadership that has foresight.

In conclusion the discussion attempted to make distinctions in levels of the management process in terms of the strategic management theoretical constructs.

6.3. The factors likely to impact successfully implemented cross-border inter-bank settlement systems

The second section of the research report highlighted the likely factors that impact on the successful implementation of the SADC cross-border inter-bank settlement systems. Although not exhaustive in this research report, these factors were considered as likely to influence the pace of macroeconomic convergence initiatives undertaken in the SADC region.

The section is based on exploratory research methods and various literature sources (Yin, 2003 and Brink & Wood, 1998) highlight that a case study research could include a combination of research approaches and still conform to validity and reliability.

The identified factors hinge on strategic analysis, with emphasis on environment scanning. The process of environmental scanning could be instrumental for an organisation to adopt the right strategy (Ghemawat, 1999).

The factors could be classified into external and internal challenges facing the SADC Payment System Project. Others have the elements of being external and internal to the respective SADC member countries. A member country

has control over internal factors or challenges, whilst there may be little or no control over external challenges. However the project, such as the SADC Payment System Project could view such factors, albeit being internal to a member country, as external for it to implement successfully its mandate.

External environmental challenges in respect of the SADC Payment System Project include such factors as political, economic, social, technological, legal influences and environmental factors (Daniels & Radebaugh, 1998 and Hill, 2003). These are generally referred to as the PESTLE. Additional factors include globalisation and international business culture (Coetzee, 2006).

These challenges are discussed below in relation to the research responses that were collected through the questionnaire (*Annexure 1*).

6.3.1. The country-specific teams

On the feedback received on the questionnaires, most respondents emphasised the importance of sustaining their teams through effective handover of responsibilities to the members. This is despite the challenges that they face in not being able to consistently keep the same members in the team due to circumstances in their respective countries. It was also clear that the teams are viewed as playing a pivotal role and that most respondents considered it unthinkable to depend on other member countries or the “core” team in modernisation process within their respective countries.

A country-specific team plays an important role in the payment system modernisation programme. It is important that the team members are *au fait* with the development initiatives in the region.

The teams should have members with different skills to address different business perspectives that impact on the payment systems, such as legal issues, project management, information and communication technology, business and financial management issues, business analysis and many more. Leadership skills also play a pivotal role as leaders of these teams

should have had a fair amount of managerial skills in motivating team members, providing and maintaining the direction of the developments impacting on the team. They should be able to negotiate and communicate at the highest possible organisation level, including those with the commercial banks and their respective central banks.

6.3.2. Capacity and skills in the payment, clearing and settlement systems

Although there was an indication that there is sufficient capacity in respect of skills as indicated by large percentages by the respondents, training needs appeared to be very strong. It is clear that ongoing training as a result of ever-changing conditions, especially on the technological developments front, makes it imperative to equip the team members with the necessary skills to cope with the change.

The capacity does not only involve training and ensuring that the necessary skills are in place, but also relates to the supporting organisational structures and other necessary resources to support the modernisation programme. This factor was not highlighted in the questionnaire.

6.3.3. Financial assistance and foreign fund donors

Foreign-fund donors play an important role to enable developments in the developing economies. This was reflected by the responses that agreed to that foreign-fund donors take into account the joint development initiatives when providing funding for specific programme funding. This includes the fact that post-implementation support is also provided including the utilisation of the local incumbents in the implementation of those programmes.

It was, however, noted that the funding given to some member countries in the region could result in other countries that did not obtain similar funding to be unable to stay abreast of developments as those that are being funded.

It is without doubt that this could stifle the successful implementation of the SADC cross-border inter-bank settlement systems.

Some respondents were uncertain if selective funding was likely to cause differences in the levels of development in the region.

6.3.4. Communication, power supply and infrastructure

Although the challenges of communication, power supply and infrastructure were considered sufficient, a factor that could contribute meaningfully to support the successful implementation of the SADC cross-border inter-bank settlement systems, it was pointed out by the respondents that this was concentrated in large towns and cities. Other additional comments also highlighted that there were frequent power outages and power supply problems in countries such as Namibia, South Africa, Zambia and Zimbabwe.

The cost of modernising communication, power supply and infrastructure was also considered. The majority of respondents highlighted that the current repair state of communication and power supply could best be addressed through a co-operative effort by all member states in the region to gain the optimum advantage.

The communication networks are an important element in support of the developing economies as they support the way of doing business.

6.3.5. The banking system and flow of financial information

The respondents indicated that the banking systems in their respective countries are supported by robust infrastructural grid to facilitate an effective flow of information. The legal and/or regulatory regimes were said to be in place and in support of cross-border transactions.

It was further highlighted that the banking system, especially the commercial banks had an effective managerial skills to support businesses both domestically and internationally.

There were concerns that were raised by some respondents that there were some issues that need to be addressed such as that the legal and regulations had not been tested in the courts of law.

6.3.6. Flow of trade and trends within the SADC region

The respondents agreed with that good and/or healthy trade flows were a precursor of robust cross-border inter-bank settlement systems. It was also noted that there was a noticeable increase of trade flows within the region.

Notwithstanding the above, the respondents disagreed with that trade flows does not justify the development of SADC cross-border inter-bank settlement systems. This reflects the importance of on-going improvement that is necessary to have advanced payment systems irrespective of the nature of trade flows.

An additional comment to the one stating that the members need to correct economic factors and to grow track before putting solutions which potentially become white elephants. The comment is pertinent when viewed against other dependencies that should develop in line with the regional payment systems. Such dependencies include but are not limited to an applicable legal framework, up-to-date statistical information to track the changes and developments, exchange-control regimes, power supply and supporting infrastructure.

The statistical information is critical as it enables assessing whether the utilisation of the implemented systems are effective, thereby supporting economic development in the form of proper monetary and fiscal policies.

6.3.7. Membership in other regional economic formations or blocs

The SADC member countries belong to a variety of regional or area economic blocs. These formations, which include SADC, are the Eastern African Community (EAC), with members such as Burundi, Rwanda, Uganda, Kenya and Tanzania; the Common Market for the Eastern and Southern Africa (COMESA); which includes all the SADC member countries and other countries such as Egypt, Ethiopia, Kenya, Sudan and Uganda and Common Monetary Area (CMA), which includes Lesotho, Namibia, South Africa and Swaziland. There are also other agreements that govern the trade, such as the Southern African Customs Union (SACU), which includes such members as Botswana, Lesotho, Namibia, South Africa and Swaziland. All these formations have different sets of agreements and codes of conduct that govern them.

Notwithstanding the above, most respondents indicated that it was beneficial to have membership in different regional or area economic formations. They also indicated that this benefits the members where other formations fail. However, there was an agreement that membership in different regional economic blocs was due to the political influence.

The political influence and belonging to regional blocs are a result of the countries seeking the protection of their members from foreign invasion or competition, national security and consumer protection (Hill, 2003).

It was also noted that it was easy for members to source foreign funding for their development needs.

However, the respondents noted that this duplicated the efforts that are made in the SADC region. The additional comments from the respondents noted that the multiple schemes led to distraction of resources and hampered progress.

The criteria to qualify for membership appear to not to pose any problem for these members compared to the regional economic formation such as the

European Union (EU), which imposed certain criteria for membership, such as a country should have maintained a certain economic growth, a certain inflation rate level and so on (Daniels & Radebaugh, 1998).

Multi-membership could, no doubt, confuse such criteria such that the members will be more than likely be unable to meet specific conditions, therefore enabling them to move membership from one economic bloc to another. This on its own could impact on the progress that is being made by a certain regional bloc.

6.3.8. The economic system

Economic systems are generally classified into the market economy, command economy and mixed economy. The market economy is viewed as more liberal in that all productive activities are privately owned as opposed to being owned by the state (Hill, 2003). Individuals own resources and consumer products and the market mechanism involve the interaction of price, quantity, supply and demand for resources and products (Daniels & Radebaugh, 1998).

The centrally planned economy, which is also referred to as the command economy is effectively controlled by the government. The government coordinates the activities of the different economic sectors, whilst also setting the goals for every enterprise in the country (Daniels & Radebaugh, 1998). The government allocates resources and this type of the economy is characterised by a large number of state-owned enterprises (Hill, 2003).

A further classification of the economic system is a mixed economy, where certain sectors of the economy are left to private ownership and free-market mechanisms whilst other sectors are state owned (Hill, 2003). Daniels & Radebaugh (1998) note that no economy is either purely market determined or completely centrally planned. They further assert that mixed economies generally have a higher degree of government intervention.

Most respondents indicated that their respective governments played a pivotal role in co-ordinating different economic sectors. Added to this, they indicated that firms are encouraged to produce according to the demand market conditions.

A degree of protectionism was also noted when the majority of the respondents indicated that their respective governments determine the conditions for foreign firms that intend to take ownership of local firms or that are interested in establishing businesses in those countries.

By contrast, most of the respondents indicated that there are a number agencies and government supported institutions that promote consumer awareness and that the government and non-governmental organisations are actively involved in promoting the development of small and medium sized enterprises.

These suggested that there is a fair amount of mixed economic systems in the SADC region.

6.4. Conclusions

The strategic management process and implementation appeared to have been well adopted by the region. However, it could be noted that, despite the role that the SADC Secretariat plays, as an office of strategic management (OSM), there appears to be no effective communication process that encourages member countries to set themselves reasonable and practical targets for action.

A critical issue is an overt moving of the milestones to have a formalised free-trade area in the region. The initial target date was scheduled for the year 2004, which was moved further to the year 2008. The year 2008 is also seen as somewhat ambitious if not unrealistic. According to the Regional Indicative Strategic Development Plan, the SADC Monetary Union is targeted for the year 2016. However, this appears unlikely when taking into consideration the

remarks made recently by the Governor of the South African Reserve Bank, Mboweni, referring the African Common Monetary Union, when he highlighted the challenges as;

- infrastructure networks and intra-continental trade is still very poor;
- a need for common understanding of statistics;
- a common understanding on political leadership about fiscal discipline; and
- agreed upon criteria among all countries (in the continent) on budget deficits (Business Day, Wednesday, 10 October 2007).

The above points to the lack of co-ordination and a weakness in providing the information that will result in informed decisions about the way forward.

The implementation on the ground by various committees and projects such as the SADC Payment System Project are managed quite well. However, their success is dependent on the wider scope of policies that have been formulated and moving forward in line with the developments. Otherwise the efforts of such projects are likely to lack sustainability.

The identified factors or challenges that could impact on successfully implemented cross-border inter-bank settlement systems play into the wider scope than at project level and the comments by Governor Mboweni indicate that a lot of groundwork at higher levels of these countries has to be covered. This should include a pragmatic approach to move towards the intended macroeconomic convergence. It is without doubt that without this approach there is going to be a delay in fully implemented systems. Part of the solution could lie in different memberships that most SADC countries are involved in. This may necessitate that certain regional or area economic bloc, such as for an example, the Common Monetary Area (CMA) closely co-operating with its members such that a fair amount of success is achieved that in the whole region.

6.5. Recommendations

The factors that were discussed and analysed are not exhaustive as it has already been indicated, however, the researcher hopes that a further and detailed examination of some of these factors could highlight some of the most important issues for the region to succeed its macroeconomic convergence initiatives. This may result in moving away from what Governor Mboweni said: "When we set targets and dates we think they won't come. It is easy to go to meetings and agree on these things but the challenges we face are much bigger than the niceties of brotherhood and sisterhood" (*Business Day, Wednesday, 10 October 2007*).

The collection of statistical information on a uniformed basis is imperative as this will provide the pointers as to where the region is in terms of its development and needs and ways to move forward towards the intended outcomes. This is critical as it will benchmark each member country in terms of progression.

The issues of sovereignty and political instability are some of the issues that should be addressed through moral suasion mechanisms to create an environment of progression. The checks and balances could be best achieved perhaps through some form of the peer review mechanism facilitated by independent international bodies.

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