Case study stanbic bank tanzania essay

Finance, Banks

Stanbic Tanzania is one of members of the Standard Bank Group. Idea of establishment of Standard Bank Group was brought by group of business men in 1857 due to economic prosperity in Port Elizabeth in South Africa, which was the major port and was used to the export of wool. The man behind the Idea was John Paterson who with fellow business men wanted to establish the Standard bank of Port Elizabeth. This idea did not work due to fear of competition from the existing of the two banks. Paterson sailed to England to search for support of British Investors. Paterson’s efforts were successful and in April 1860, a prospectus for The Standard Bank of British South Africa was published in London. In 1862 The Standard Bank of British South Africa was established. On 15 October 1862 the bank was incorporated and registered as a limited liability company. Its capital was fixed at â‚¤1, 000, 000 with 10, 000 shares of â‚¤100 each. The Standard Bank of British South Africa operation commenced in 1863 and Port Elizabeth remained to the Bank Head Quarters. In 1883 the word British was dropped from the name.

In 1962 a subsidiary company was formed to carry business in South and South West Africa (now Namibia) under the bank’s old name. The name Standard Bank Limited was adopted for the holding company in England (subsequently to become Standard Chartered Bank plc). Standard Bank Group was established in 1969 as Standard Bank Investment Corporation – the holding company of SBSA. Standard Chartered sold its 39% stake in Standard Bank Group in 1987, transferring complete ownership of the holding company to South Africa.

The Standard Bank group, based in Johannesburg, South Africa, has total assets of about US$81 billion and employs about 35 000 people worldwide. Its network spans 17 sub-Saharan countries (including South Africa) and extends to 21 countries on other continents, including the key financial centres of Europe, the United States and Asia. In addition to banking, Standard Bank has a strategic interest in the insurance industry through its control of the Liberty Group, one of Africa's leading life offices and financial services groups.

The group has one of the biggest single networks of banking services in Africa. Through this network we offer a wide range of banking products and services which are delivered through more than 1 000 points of representation in 17 African countries (including Tanzania). We are active in international and cross-border transactions and in those areas liaise closely with Standard Bank Corporate and Investment Banking and Standard Bank London.

We offer a wide range of financial products and services in the following markets:

Personal

We are committed to providing our customers with the security, convenience and value for money they expect from an international bank with African roots. As such, we offer you a range of products and services that enhances your banking experience.

Business

We recognise that as a Business Banking customer you lead a busy life. Through our comprehensive service offering we aim to simplify your financial transactions so you can spend more time on your business and less time on your banking.

Corporate and Investment

Our corporate structure ensures that we are able to provide customized products and services to both established customers as well as newer, entrepreneurial companies. By focusing on personalised solutions and ongoing financial product development, we are committed to delivering solutions that support our clients'success where it matters most.

Stanbic Tanzania background

Stanbic Bank Tanzania was established in 1995 by Standard Bank group to take over operations of the defunct Meridien Biao Bank Tanzania limited. Stanbic Bank Tanzania is one of the members under the Standard Bank group.

The bank has eight branches:

City branch in Dar es Salaam

Main branch in Dar es Salaam

Industrial branch in Dar es Salaam

Mayfair branch in Dar es Salaam

Arusha branch in Arusha

Moshi branch in Moshi

Mwanza branch in Mwanza

Mbeya branch in Mbeya

Stanbic Centre branch in Dar es Salam

Vision and values of Standard Bank group

Our vision

We aspire to be a leading emerging markets financial services organisation.

Stanbic bank core values

Serving our customers

Stanbic Bank aim to do everything in their power to ensure that their customers are provided with the products, services and solutions to suit their needs, provided that everything they do for them is based on sound business principles.

Growing our people

Stanbic Bank encourages and helps their people to develop to their full potential, and measure their leaders on how well they grow and challenge the people they lead.

Delivering to shareholders

The Standard bank understands that they earn the right to exist by providing appropriate long-term returns to their shareholders. The bank tries extremely hard to meet various targets and deliver on their commitments.

Being proactive

Standard Bank strives to stay ahead by anticipating rather than reacting, but their actions are always carefully considered.

Working in teams

The bank, and all aspects of their work, is interdependent. The bank also appreciates that, as teams, they can achieve much greater things than as individuals. They value teams within and across business units, divisions and countries.

Guarding against arrogance

Bank has confidence in its ability to achieve ambitious goals and celebrate success, but it must never allow itself to become arrogant.

Respecting each other

Standard Bank staff has the highest regard for the dignity of all people. They do respect each other and what Standard Bank stands for. The bank recognises that there are corresponding obligations associated with our individual rights.

Upholding the highest levels of integrity

The bank's entire business model is based on trust and integrity as perceived by its stakeholders, especially their customers.

SWOT analysis

Stanbic strengths

Performance oriented (rewards) staff. Stanbic Bank uses Performance index as a key to success. Staffs are rewarded based on their performance. This has built a culture which has encouraged the bank staff to deal more with corporate clients with big business.

Portfolio diversification

Competitive advantage on products offered by the bank. The Bank offer a wide range of products which are more competitive compare to other banks. Among other products includes, Capital and investment products, Assert and vehicle financing, Home loans, affordable agricultural loans with a guarantee up to 70% of the acquired loan.

Networking with internationals hence meeting customers' expectations. Standard Bank group operates in more than 37 countries worldwide hence form a large network with their customers. This means customer can easily operated to any of Standard Bank group branch conveniently.

Security system in the branches. The Bank has invested much on Technology especially on security hence provide insurance of customer assets both financial and non financial

Wide range of currency, due to its wide network coverage the Bank operates with a range of currency hence become more convenience to more of its customer compare to local Banks in Tanzania

Weather index insurance in agricultural products. More recently Agriculture in Tanzania has become a top priority nation agenda. Stanbic Bank Tanzania offer affordable loans with guaranteed to 70 percent to its customers. Apart from that the bank has adopted Weather index insurance in connection with agricultural loans. This has attracted more customers to operate with Stanbic Bank.

Weakness

Small branch network in Tanzania,-Currently Stanbic Tanzania has on 11 branches in Tanzania which in this case do not reach its customer in most of the regions.

Apart from small Branch networks, Stanbic Bank has been focusing more on corporate clients leaving behind the retail customer occupying the big populations in Tanzania.

Opportunity

Branch network expansion in other region

Retail banking

Competitive products not offered in other areas

Threats

Fraudulent as it not local as multinational organisation

Competition

Chapters 2 – Organisation structure

What is organisation?

Organisation is defined as group of individuals, large or small that cooperate under direction of executive leadership in accomplishment of certain common objective (by Keith Devis). Louis defined organisation as a process of identifying and grouping the work performed, defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work most effective together to accomplish the indented objective. Organisation can also be defined as form of any human association for attainment of common purpose. From above definitions it is clear that any organisation have main four components namely task, people, structure and Technology. Task is the purpose of an organisation existence. Every organisation has specific objectives to be accomplished that define its existence by producing outputs in terms of goods and services. People are the workforce or human part of the organisation which help in performing different function in the organisation. To ensure that different task are well coordinated organisation must have structure which tells the basic arrangement of people in the organisation. Technology is the intellectual and mechanical process used to transform inputs into products and services.

Definition and types of organisation structure

Mintzberg,(1979: 2) defined organisation structure as ” the sum total ways in which it divides its labour into distinct task and achieves the coordination among them” Organisation structure is framework of policies and rules within which lines of authority, communication and rights and duties of people are identified and arranged. Mintzberg further differentiated Organisation structure to be formal or informal. Roles, power and responsibilities are delegated, controlled and coordinated through the organisation structure. Organisation structure also determines how communication is done between levels of management. The type of the organisation structure mostly depends on objectives and strategies set by of the organisation to achieve the objectives. In organisation with a centralized structure, most of the decisions are centered to the top management while in decentralised structures powers for decision making is distributed where departments have varied degree of autonomy.

The organisation structure determine the approach in which it operates and its performance. The Structure allows the responsibilities for different functions and processes to be clearly allocated to different departments and employees. The structure also determines level of resources utilization, it also monitors the activities of the organisation and organisation structure promotes the accountability for areas of work.

The erroneous organisation structure will hinder the success of the organisation business. Organisational structures should aim to maximize the efficiency and success of the Organisation. An effective organisational structure will facilitate working relationships between various sections of the organisation. It will retain order and command at the same time promoting flexibility and creativity

The organizational structure is mainly influenced by internal factors such as size, product and skills of the workforce influence. The chain of command will lengthen and the spans of control will widen as the business of the organisation. The higher the level of skill each employee has the more the business will make use of the matrix structure to maximize these skills across the organization.

Burns and Stalker (1961) introduced the notion of two different types of structure i. e. The Mechanistic structure which is characterised by rigid divisions of activities, clearly defined roles and hierarchically organised authority and The Organic Structure which consists of more fluid and flexible working arrangements.

Organic

Mechanistic

Channels of Communication

Open with free information flow throughout the organization

Operating styles

Allowed to vary freely

Authority for decisions

Based on the expertise of the individual

Free Adaptation

By the organization to changing circumstance

Emphasis on getting things done

unconstrained by formally laid down procedures

Loose informal control

with emphasis on norm of cooperation

Flexible on-job behaviour

permitted to be shaped by the requirement

Decision Making

participation and group consensus

Highly structured, restricted information flow

Must be uniform and restricted

Based on formal line management position

Reluctant Adaptation

Emphasis on formally laid down procedures

Tight control

Constrained on-job behaviour

Only superiors make decisions

Firms with Mechanistic structures pursue centralised decision – making arrangements, strict enforcement of adherence to rules and procedures, rigid control over information content and flows, and carefully designed reporting relationships (Slevin and Covin, 1997). Organic structure on the other hand, reflects an organisation’s emphasis on delegation, participation, creativity, openness and adaptability (Brouthers et al, 2000). Mechanistic structures are preferable for analyzing new products and processes and for implementing such entrepreneurial endeavors, as ” concentrated power often prevents imaginative solutions of problems”. On the other hand Organic structures are enhancing the use of rational strategic decision-making by providing the flexibility needed to take advantages of market opportunities or minimize a competitive threat. The pursuit of shareholders value by private firms may be facilitated by the flexibility afforded by Organic structures. Hence it also proves the positive relationship between organic organization structures and private ownership

Mechanistic organization tends to offer a less suitable environment for managing the creativity and the innovation process. On the other hand organic system is adapted to solve problem in unstable conditions, when new and unfamiliar problems arise.

This entails the importance of designing an effective organisation structure which will be flexible and able to respond to future demands and development. The effective structure will be able to adapt changing environmental influences and also will be able to provide social satisfaction for employees in the organisation. A poor organisational structure make good performance impossible no matter how good individual Managers may be. Poor structures are likely to have low motivation and morale to employees, slow and poor decisions, not cost effective and they are likely not to quickly respond to new opportunities. There are two specific principal of general interest in when structuring the organisation i. e. the span of control and the chain of command which need to be balanced in designing the effective organisation structure although there is no a right combination effective to every organisation..

Span of control

Mullins 2009 defines span of control as the number of subordinates who report directly to a given manager or supervisor. V. A. Graicunas developed a mathematical formula for span of control which show the limitation of number of subordinates who can effectively be supervised by a Manager. The number of subordinates is determined by total direct and cross relationships

R= n (2n/n+n-1)

Where n is the number of subordinates and R is the number of interrelationships. Urwick supported the idea of Graicunas and suggested that span of control should not exceed 5 and at most six direct subordinates whose works interconnect. However from Woodward's study span of control varies from organisations depending on type of technology and production systems. Mullins further pointed other factor influencing the span of control includes:

Nature of the organisation, complexity of work, range of responsibilities, similarity of function

Ability and personal qualities of the manager

Amount of time manager is available to spend on subordinates

Ability and training of subordinates

Effectiveness of co-ordination & nature of communication

Physical location of the organisation

Length of the command chain

Importance of span of control

With wider span of control:

It is difficult to supervise subordinates effectively and may stress more the mangers

Planning and development, training and control may suffer

Wide span of control may limit opportunities to grow

Too wide span of control may result to slowness to adapt to changes

On the other hand with too narrow span of control

It may lead to problem of coordination and consistency in decision making and hinder effective communication across the organisation

Morale and initiative of subordinates may suffer due to close to a level of supervision

It increases administrative costs

It can lead to additional level of authority in the organisation creating unnecessary long chain of command.

Chain of command

This refers to the number of different levels in the structure of the organisation, the chain, or the hierarchical command. The chain of command establishes the vertical graduation of authority and responsibility and framework for superior-subordinate relationship. A clear line of authority and responsibility is necessary for the effective operations of the organisations. Few chains of command will help decision making and fasten communication in the organisation.

Types of organisation structures

Tall organisation structures

A tall organisation structure has relative many levels of management and supervision with long chain of command from the top to the bottom of the organisation. Tall structure normally do not exceed 8 levels of management because number of levels decrease span of controls. The tall organisation structures have the following advantage

Span of control is narrow where each manager has small number of employees to supervise hence easy to control.

There is clear management structure

There is clear distinction on function of each layer hence clear line of responsibility and control

In the tall organisation structure there is clear succession and promotion ladder.

However there is some disadvantage of the Tall organisation structure

Freedom and responsibilities for each employee is very restricted

There is slow decision making as approval may be required from each level of authority.

Communication is slow as it takes place through many levels of management

Tall structure has high costs of management as managers for each level are paid more than their subordinates.

Flat organisation structure

On the other hand unlike tall organisation structure a flat organisation have relatively few layers or may be just one layer of management. This means that there is shorter and wide span of control. Small organisations usually opt for flat organisation structure since it has small number of management layers. Flat organisation structure there is greater communication between Management and employees which influence better team spirit and it is less bureaucracy hence quick decision making. Flat structure has less cost of Management due to fewer level or layers of management. However among other constrain of flat organisation structure includes;

Employees may be controlled by more than one manager hence employee may be confused on the reporting channels,

Organisation growth may be hindered with this type of structure,

Structure is limited to small organisations and hence do not fit to big organisations

Function of each department or person could be distorted and amalgamate into the job roles of others.

Hierarchical organisation structure

An organisation where employees are ranked at various levels within the organisation is known as hierarchical, each level is one above the other. At each level in the sequence, a person has a number of workers directly reporting to him/her, within their span of control. Under this type of structure there is a tall hierarchical organisation which has many levels and a flat hierarchical organisation will only have a few. The way authority is organized is a typical pyramid shape. A traditional hierarchical structure clearly defines each employee’s role within the organisation and defines the nature of their relationship with other employees. Hierarchical organisations are often tall with narrow spans of control, which gets wider as we move down the structure. They are often centralised with the most important decisions being taken by senior management.

In the twentieth century as organisations grow bigger, hierarchical organisations were popular because they could ensure command and control of the organisation. However with the advent of globalisation and widespread use of technology, in the 1990’s tall hierarchical organisations began to downsize and reduce their workforce. Technology was able to carry out many of the functions previously carried out by humans.

The Hierarchical Organisations have the following main advantages

Authority and responsibilities are clearly defined

There is a clear defined career growth of members of the organisation

The hierarchical organisation structure create environment which favour effective use of specialist managers

The structure makes employees to be very loyal to their department within the organisation.

On the other hand hierarchical structure has disadvantages

This structure tend to be bureaucratic and respond slowly to changing so as to meet customers' needs and Markets within which the organisation operates

Poor communication within the organisation especially for horizontal communication

Poor decision making as it may only focus to individual department rather than the organisation as a whole.

Centralised and decentralised organisation structure

In a centralised organisation head office (or a few senior managers) will retain the major responsibilities and powers. Conversely decentralised organisations will spread responsibility for specific decisions across various outlets and lower level managers, including branches or units located away from head office/head quarters. An example of a decentralised structure is

Tesco the supermarket chain. Each store of Tesco has a store manager who can make certain decisions concerning their store. The store manager is responsible to a regional manager.

Organisations may also decide that a combination of centralisation and decentralisation is more effective. For example functions such as accounting and purchasing may be centralised to save costs. Whilst tasks such as recruitment may be decentralised as units away from head office may have staffing needs specific only to them.

Certain organisations implement vertical decentralisation which means that they have handed the power to make certain decisions, down the hierarchy of their organisation. Vertical decentralisation increases the input; people at the bottom of the organisation chart have in decision making.

Horizontal decentralisation spreads responsibility across the organisation. A good example of this is the implementation of new technology across the whole business. This implementation will be the sole responsibility of technology specialists

Senior managers enjoy greater control over the organisation.

The use of standardised procedures can results in cost savings.

Decisions can be made to benefit the organisations as a whole. Whereas a decision made by a department manager may benefit their department, but disadvantage other departments.

The organisation can benefit from the decision making of experienced senior managers.

In uncertain times the organisation will need strong leadership and pull in the same direction. It is believed that strong leadership is often best given from above

Disadvantages

Senior managers have time to concentrate on the most important decisions (as the other decisions can be undertaken by other people down the organisation structure.

Decision making is a form of empowerment. Empowerment can increase motivation and therefore mean that staff output increases.

People lower down the chain have a greater understanding of the environment they work in and the people (customers and colleagues) that they interact with. This knowledge skills and experience may enable them to make more effective decisions than senior managers.

Empowerment will enable departments and their employees to respond faster to changes and new challenges. Whereas it may take senior managers longer to appreciate that business needs have changed.

Empowerment makes it easier for people to accept and make a success of more responsibility.

(http://www. learnmanagement2. com/)

Matrix Organisation Structure

Matrix organization is an attempt to combine functional and pure project organizations to couple the positive aspects of both and minimize the negative. Matrix organisation structure is widely used in many industries such as automotive industry. Each staff member is a member of 2 distinct organizations

Advantages of matrix organisation structure

Project as a point of emphasis – PM takes the responsibility for managing the project.

Project has reasonable access to all required resources without having to maintain them – draws from the functional resource pool as required

Less anxiety about what happens when the project is completed

Response to client is as rapid as pure project

Project has access to the administrative units of the parent firm to maintain consistency w/ policies, practices and procedures

With several projects in work, matrix offers a better companywide balancing of resources

Matrix organizations span the extremes of the organization spectrum – from functional to pure project.

Disadvantages include:

Delicate balance of focus of decision making power between Project Manager and functional manager

Multiple projects have to be monitored as a set to derive the benefits of a matrix organization

Strong matrix organizations have problems shutting down projects similar to pure project organizations

Division of decision making responsibilities between Project Manager (administrative decisions) and functional manager (technological decisions) is complex and not so clear for the operating Project Manager

Project members have at least two bosses, the functional and the Project Manager. This can lead to confusion and disorder.

Stanbic Bank Tanzania Organisation structure

Based on aforementioned types of organisation structure and their feature Stanbic Bank Tanzania has adapted flat organisation structure with wider span of control and few levels of authority. In the Stanbic bank structure there is greater and quick communication between Management and employees which influence better team spirit and it is less bureaucracy hence quick decision making. The structure has less cost of Management due to fewer level or layers of management. However Stanbic Bank organisation structure has a number of disadvantages such as employees may be controlled by more than one manager hence employee may be confused on the reporting channels. This type of structure may hinder organisation growth as the case we have seen with Stanbic Tanzania with only 11 branches countrywide compared to other bank like National Microfinance Bank with 138 branch and was established 1997. function of each department in this type of organisation structure could be distorted and amalgamated into job of others. Flat organisation structure is normally limited to small organisation hence may not be suitable for a fast growing with large network Bank worldwide like Standard Bank group in which Stanbic bank is part of.

Recommended organisation structure

Chapter 3: Organisation culture and behaviour

3. 1 Organisation culture

Organisational culture is a system of shared values and beliefs about what are important, what behaviours are appropriate and about feelings and relationships internally and externally . Values and cultures need to be unique to the organisation, widely shared and reflected in daily practice and relevant to the company purpose and strategy. But there is no single best culture (http://www. cipd. co. uk/research/_visionandvalues). On the other hand Armstrong, (2007) defined organisation culture as the pattern of values, norms, beliefs, attitudes and assumptions that may not have been expressed but shape the ways in which people in organizations behave and things get done. Other definition for organisation culture includes:

A pattern of basic assumptions – invented, discovered or developed by a given group as it learns to cope with the problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems. Schein (1985)

Culture is the commonly held beliefs, attitudes and values that exist in an organization. Put more simply, culture is ' the way we do things around here' Furnham and Gunter (1993)

Culture is one of those terms that is difficult to express definitely, but everyone knows it when they sense it. One can tell the culture of an organization by looking at the office arrangement of furniture, what they boast about, what employees wear, language used etc. similar to what you can use to get a feeling about someone's personality

The concept of culture is principally important when attempting to manage organisation change. Most managers and other practitioners have realised that, despite the best-laid down plans, organisational change should include not only changing structures and procedures, but also changing of the corporate culture as well.

Most of the literature generated over the past decade about the concept of organizational culture especially in regards to understanding how to change organizational culture. Organizational change efforts are noticed to fail most of the time. These failures have been related to lack of understanding about the strong role of culture and the role the it plays in organizations. That has become one of the important reasons that many strategic planners currently place more emphasis on identifying strategic values as the way they do mission and vision.

Successful organisations are characterised by strong values and a strong guiding vision that communicates what behaviour is appropriate and what is not.