FACULTY OF COMMERCE

AN INVESTIGATION INTO THE IMPACT OF INTERNAL GROWTH STRATEGIES ON FINANCIAL PERFORMANCE OF FAST FOOD COMPANIES IN ZIMBABWE. A CASE STUDY OF INNORC LTD FAST FOODS DIVISION HARARE CBD HEADQUATERS

BY

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF ACCOUNTANCY HONOURS DEGREE

OCTOBER 2015
### RELEASE FORM

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<th>NAME OF STUDENT</th>
<th>B123131373</th>
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<td>DISSERTATION TITLE</td>
<td>An investigation into the impact of internal growth strategies on financial performance of fast food companies in Zimbabwe. A case study of Innscor Ltd Fast foods division Harare CBD headquarters</td>
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<tr>
<td>DEGREE TITLE</td>
<td>Bachelor of Accountancy Honors Degree</td>
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<td>YEAR THIS DEGREE GRANTED</td>
<td>2015</td>
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DECLARATION

This project is my original work and has not been presented for a degree in any other University or for any other award.

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B1231373
DEDICATION

A special dedication to my dear mother, you are the greatest gift on earth, without you, I would not have come this far. God bless you.
ABSTRACT

This paper aimed to investigate the impact of internal growth strategies on financial performance. The objective of the study was to examine how effective marketing, diversification, information technology and hiring of the right personnel affect financial performance of fast foods companies in Zimbabwe. This study employed a descriptive research designs. Data was collected using a case study. The research was conducted using primary and secondary data that is both qualitative and quantitative. Questionnaires were used to collect primary data. Purposive/Judgemental sampling technique was used to select the respondents. A sample of 40 was selected but only 30 questionnaires were filled and used for analyzing data. The respondents included the Branch Managers, Operations Manager and the Marketing Manager and other lower level employees of Innscor LTD fast foods division Harare CBD headquarters, this gave tangible information about the overall impact of internal growth strategies on the financial performance. Descriptive statistical method was applied to measure and determine the relationship that exists among the collected data. Field study was done later and the data analyzed and discussed to come up with a conclusion which enabled the researcher to give recommendation to the concerned parties. The study found that the organization invests more in marketing, information technology and product diversification which contributes to a positive effect to the financial performance. The firm has also employed adequately qualified employees also contributing to a positive impact on the financial statement. The research concludes that internal growth strategies have a significant positive effect to the financial performance of a company if well applied. The study thus recommends the organization to invest more in internal growth strategies such as marketing, customer satisfaction, information technology and hiring the right personnel as these were found to improve the financial performance of fast food companies.
ACKNOWLEDGEMENT

Special thanks to the almighty God for giving me sound health and mind. To my dear mom and sister for their support and encouragement, they always said ‘it is possible’. My deep appreciation goes to my Supervisor for her selfless academic support and guidance throughout the writing of this research project. Many thanks to my friends for their encouragement when things were tough. God bless you all.
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CHAPTER I

INTRODUCTION

1.0 Introduction

Growth strategies to follow remain a challenge to decision makers in many companies globally. Choosing between internal or external growth strategies is a mammoth task to decision makers who will be answerable in future if the impact on the financial performance is not satisfactory. Many countries in the world including Zimbabwe have followed the internal way of growing. Internal growth as a strategy has been followed by companies from different sectors of the economy such as the manufacturing, telecoms, mining, retail and wholesale businesses. Surprisingly, with the poor performance of the Zimbabwean economy, fast foods retail businesses have been growing.

1.2 Background of Study

Despite the poor performance of companies and the general economy of Zimbabwe, fast foods retail businesses in Zimbabwe have been growing (Innscor Africa Ltd 2013 annual report). This may be credited to low entry of competitors over the last few years. The fast foods retail sector in Zimbabwe has recorded a growth in profitability and products offering. The Innscor group recorded an increase in operating profit of 44% mainly attributed to the fast foods division (Innscor Africa Ltd 2012 June financial year-end). Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market with the entry of the Slice group of shops and KFC as a recent entry. However, despite the choice of growth strategy, corporate governance and capitalization of fast foods retail firms play an important role on the final success of the approach and its impact on the financial performance of the company.
In finance literature the business growth strategies, according to Alfred Sarkissian (2014), come in two: internal and external. Internal, or organic, growth strategies rely on the company’s own resources by reinvesting some of the profits. Internal growth is planned and slow. In an external or inorganic growth strategy, the company draws on the resources of other companies to leverage its resources. This thus draws the conclusion that internal growth strategies result in slow growth and lower financial performance and external growth strategies result in a fast growth and higher financial performance and so results in many firms engaging in external growth strategies. Any firm that is growing rapidly will thus be viewed of as the one employing an external growth strategy.

Yeung, M and Ramasamy, B. (2008) state that enlargement in sales is often used as a measure of performance. Even if profits remain unwavering or turn down, many people are satisfied with a growth in sales levels. The assumption is often made that if sales boost, profits will in due course follow. Rewards for managers are usually bigger when a firm is pursuing a growth line of attack. Managers are often paid a commission based on sales. The higher the sales level, the larger the compensation received. Acknowledgment and power accrue to managers of growing companies. They are more frequently invited to speak to professional groups and are more often interviewed and written about by the press than are managers of companies with greater rates of return but slower rates of growth.

Growth strategies involve a noteworthy increase in performance objectives (usually sales or market share) beyond past levels of performance. According to Simeen Gaidhar Bhanji (2013) firms have to look to their existing business to determine if it has opportunities for growth and this is referred to as internal growth and once they have looked at all the internal options, there are many external growth options available.

1.3 Problem statement

There has been a problem with regards to the effects of the internal growth strategies such as effective marketing, diversification, information technology investment and the hiring of the right personnel on company financial performance as many companies have been employing
these internal growth strategies resulting in a positive impact on the financial performance whilst to some resulting in a negative impact on the financial performance. This study intended to explore the various internal growth strategies employed by fast foods companies in Zimbabwe and their effects on the firm’s financial performance.

1.4 Objectives of the study
The overall objective of the study was to investigate whether internal growth strategies have an effect on the financial performance of fast foods companies

1.4.1 Specific research objectives
- To examine how effective marketing affect financial performance of fast foods companies in Zimbabwe
- To assess how internal growth through diversification affect financial performance of fast foods companies in Zimbabwe
- To examine how information technology investment affect financial performance of fast foods companies in Zimbabwe
- To investigate how the hiring of the right personnel affects the financial performance of fast food companies in Zimbabwe.

1.5 Research questions
- How does effective marketing affect financial performance of fast foods companies in Zimbabwe?
- How does diversification affect financial performance of fast foods companies in Zimbabwe?
- How does information technology investment affect financial performance of fast foods companies in Zimbabwe?
- How does the hiring of the right personnel affect the performance of fast foods companies in Zimbabwe?

1.6 Assumptions
1.6.1. All respondents for the questionnaires are going to have adequate knowledge of the issues that were going to be found in the questionnaires.

1.6.2. Respondents to the questionnaires are going to give truthful responses adequate to make reasonable inferences.

1.6.3 Economic and Political situations of the country were going to remain stable as this may affect my finding if these conditions were subject to change during my research any time soon.

1.7 Significance of the study

1.7.1 to the researcher
The researcher is going to benefit from having an insight in the effects of internal growth strategies on organizational performance and also the effect of external growth strategies on organization performance. The study will also help the researcher to fulfill the requirements of the Bachelor of Honors Degree in Accountancy and provided a training ground for research skills to the researcher.

1.7.2 to the industry
The fast foods retail business companies will benefit from the effectiveness of internal growth strategies as a growth strategy that would be investigated by this study thus enabling them increase their performance. The organization’s management will benefited from the identification of the internal areas that need improvement, other ways to grow their organization and the best way to grow their operations.

1.7.3 to future researchers
This study aimed to explore existing literature, come up with new literature and provide new suggestions on the effect of internal growth strategies on performance. This will provide reference to future academicians who wish to engage in similar research.

1.8 Delimitations
1.8.1 The researcher m I am going to concentrate mainly concentrated on Chicken inn headquarters branch yet there are many fast food outlets other than chicken inn.
1.9 Limitations

1.9.1 A sample is going to represent the whole population.

1.9.2 Time was also a major constraint since I was obliged to do my daily duties as an intern and at the same time I had to do a thorough research on my project.

1.9.4 Confidentiality- respondents may have been reluctant to disclose some internal information due.

1.9.5 The use of secondary data could affect since some of the information I am going to get may have been out of date.

1.10 Definition of Terms

1.11.1. Effective marketing-the way a firm makes its products known to customers encompassing product quality and development, customer satisfaction and market orientation, brand portfolio and brand equity.

1.11.2. Diversification-the moving away by a firm from its current activities, whilst at the same time maintaining the previous operations, which may be general, related or unrelated.

1.11.3. Information technology investment-engaging in technology related operations such as accounting information systems, information technology usage, innovativeness, computer supported design and making all operations technology based including customer order processing.

1.11.4. Hiring of the right personnel-the recruiting by firms of over or under qualified or the adequately qualified personnel. It also include labour turnover and quality performers

1.11.5. Financial performance-overall firm performance constituting of increase in sales and stock prices.

1.12 Scope of research

The study is going to covered Innscor Africa Ltd fast foods retail division Harare CBD headquarters because that is where the researcher could get the information which could help to answer the objectives of the study. Innscor Africa Ltd fast foods retail division and Chicken Slice are examples of local companies that have performed well since 2010. Zimbabwe, like any other
country and with a population of around 12 million people and the large number of both local and foreign travelers and tourists, has got a great need for the growth of the fast foods retail companies so as to avoid shortages. Focus was mainly on the internal growth strategies implemented such as effective marketing, product development, market development and the hiring of the right personnel. However, there was a brief look on the external growth strategies such as acquisition and mergers. Focus was also on the firms’ performance from 2010 up to 2014

1.13 Summary
This chapter has been vital in laying the foundation of the study. It pointed out the motivating factors to undertake the research. It has highlighted the introduction, background to the study, statement of the problem, aim of the study, research objectives, research questions, assumptions, significance of the study, delimitations, limitations and definition of key terms and scope of the research.
CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter critically analysed literature review on internal growth strategies and how and to what extent they influence financial performance of companies by focusing on internal growth strategies and their effect on financial performance, the conceptual framework as well as the internal growth-firm financial performance model.

2.1 THEORETICAL FRAMEWORK

2.1.1 The Theoretical Framework and the Internal Growth Strategies-Firm Financial Performance Model.

A conceptual framework is a theoretical structure of assumptions, principles, and rules that holds together the ideas comprising a broad concept (Business Dictionary, 2014). All the assumptions, principles and rules of the researcher upon which the research is based are held together in this conceptual framework.

The study assumed of the internal growth strategies as the independent variables while the firm financial performance was assumed to be the dependent variable. The conceptual framework was formulated on the principle that for there to be an output there has to be an input and that the output is dependent on the input thus making the input independent (Zvinavashe, 2014).

The conceptual framework, which shows the relationship between internal growth strategies and financial performance, is shown on figure 2.1 below:
Figure 1 Conceptual frameworks for the relationship between internal growth strategies and financial performance

Independent variable

- Hiring the Right Personnel
- Information Technology
- Diversification
- Effective Marketing

Dependent variable

- Financial Performance
2.1.1.2 Diversification
(Hymer, 2014) defines diversification as a risk management technique that mixes a wide variety of investments within a portfolio. Diversification strives to smooth out unsystematic risk events in a portfolio so that the positive performance of some investments will neutralize the negative performance of others. Generally it is when a firm moves from current operations to other operations of similar or different nature.

Diversification in this case encompasses diversification (general), related and unrelated diversification as well as diversification of group businesses. It is also another independent variable upon which firm financial performance depends on.

2.1.1.3 Information technology investment
The usage of information technology broadly refers to the usage of computers and peripheral equipment. This has seen tremendous growth in service industries in the recent past. Information technology investment means the upgrade of an existing information technology system or the new investment in information technology system.

Financial performance, the dependent variable, depends upon this independent variable. Information technology investment in this case consists of innovativeness, computer supported design, e-commerce, information technology usage as well as accounting information systems.

2.1.1.4 Hiring of the right personnel
This entails investing in the human resource that suits the job and it means that the recruited personnel will neither be more nor less equipped in terms of the requirements of the job. Also one of the independent variables upon which financial performance, the dependent variable depends on and includes the over or under or adequately qualified, labour turnover and quality performers, in this case.
2.1.5 Financial performance
This refers to the level of performance of a business over a specified period of time, expressed in terms of overall profits or losses and the sales during that time. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms.

2.1.2 The Internal Growth Strategies-Firm Financial Performance Model
This model takes the internal growth strategies, the firm and financial performance as a system where the input is the internal growth, the firm does the processing through its day to day running and the output is the financial performance.

Figure 2 Diagram showing the Internal Growth Strategies-Firm Financial Performance Model

---

**Input**  | **Processing**  | **Output**
---|---|---
INTERNAL GROWTH | THE FIRM | FINANCIAL PERFORMANCE

Source: Sabina Mutia

2.1.2.1 Input
This comprises the internal growth strategies that are processed in the firm and results in the output, financial performance. The internal growth strategies comprise of effective marketing, diversification, information technology investment and hiring the right personnel and are independent of the output, financial performance.

2.1.2.2 Processing

This is where the inputs, the internal growth strategies, are processed to result in the output, financial performance. The processing takes place within the firm.

2.1.2.3 Output

This is the end product of the whole system that results from the processing of the inputs, internal growth strategies, in the firm. This financial performance is dependent on the internal growth strategies, the input. Financial performance may comprise of profits of an organization, the revenue and return on equity. Peter Elwin (2012)

2.2 Effective marketing

Cited by Kim and Richarme (2009), Srinivasan et al. (2008) states that there are nine major propositions that are developed as to how marketing creates shareholder value, including the impact of brand equity, customer equity, customer satisfaction, research and development and product equity and specific marketing mix actions on the formation of value. The marketing interface accepts relativism and assumes that marketing activities such as advertising, research and development and customer satisfaction can lead to changes in the response of the financial market to the firm.

2.2.1 Customer satisfaction and market orientation

The relationship between customer satisfaction and stock prices suggests customer satisfaction leads to excess returns and that satisfied customers are economic assets with high return/low risk (Fornell et al. (2006) as cited by Kim and Richarme (2009). Luo (2007), cited by Jin-Woo Kim and Michael Richarme (2009), also supports this idea as he says that higher levels of customer dissatisfaction harm the firms future stock returns leading to a conclusion that reducing customer dissatisfaction can boost a firms stock returns. This means that customer satisfaction has a
significant effect, both positive and negative, on firm financial performance with customer satisfaction having a positive effect while customer dissatisfaction has a negative effect.

The idea of customer satisfaction having a significant effect on firm financial performance is also seconded by Luo and Nguyen (2008), cited by Kim and Richarme (2009), who stated that customer satisfaction is related to stock prices, on the basis of abnormal portfolio returns compared against the risk adjusted benchmark portfolio.

Jaakola, Moller, Parvinen, Evanschitzky and Muhlacher (2010), however, have got two contradicting ideas on the effect of effective marketing on firm financial performance. On their case study of marketing strategy and business, Jaakola et al (2010), concluded that market orientation has a significant but negative relationship to market performance and so financial performance and so supporting the idea that effective marketing has got a significant effect on firm financial performance. They also concluded that competitive advantage is statistically significant in its positive relation with financial performance. However, they also argue that innovation orientation positively relates to market performance but no direct link with financial performance and this thus brings the idea that effective marketing has no significant effect on firm financial performance.

Kohli and Jaworsk (1990), cited by Jaakola et al (2010), argue that market orientation facilitates clarified focus and vision in terms of an organization’s strategy, which consequently leads to superior performance. Their ideas are supported by Matsumo et al (2002), cited by Jaakola et al (2010), who provided support both in absolute and relative terms to the existence of a positive relationship between the constructs. This supports the idea that market orientation has a positive relationship to financial performance among others and so supports the idea that effective marketing has a significant positive effect on firm financial performance.
2.2.2 Product quality and development

Product quality and new development, all components of effective marketing, are found to have effects on financial performance. The impact of product quality on stock market value is assessed using an even study that examines how information about the quality of the new products of a firm affects abnormal returns (Tellis and Johnson, (2007)). They analysed the impact of being late to the market and found that firms that come earlier to the market with new products having a better financial performance as compared to those firms that come late o the market with their new products.

2.2.3 Brand equity

The value of firms brand equity is an important driver of financial reward. Brand attitude and brand name familiarity influence the stock market return associated with a brand extension announcement (Lane and Jacobson, 1995, cited by Kim and Racharme (2009). This also means that brand attitude and brand name familiarity, all components and outcomes of effective marketing, have got a significant effect on firm financial performance. If consumers have a negative attitude and are unfamiliar with a particular brand the financial performance of that firm will be negatively affected while if customers have got a positive attitude and are familiar with the brand the financial performance of that firm will be positively affected by this.

Interbrand (2014) states that a brand is a special intangible that in many businesses is the most important asset and this, they say, is because of the economic impact that brands have. Brands influence the choices of customers, employees, investors and government authorities and this is crucial for commercial success and creation of shareholder value. According to Interbrand, John Stuart, Chairman of Quaker, said, “If this business were split up, I would give you the land and bricks and mortar, and I would take the brands and trademarks, and I would fare better than you,” thus highlighting the importance of brands and the likely effects on firm financial performance. Interbrand, in association with JP Morgan concluded that on average brands account for more than one third of shareholder value and that this value is through creating significant value either as consumer or corporate brands or as a combination of both. They cited the example of the Coca Cola Company where the Coca cola brand alone accounts for 51% of the stock market value of the company. This supports that brand equity has a significant effect on firm financial performance.
Mohan and Sequeira (2012) studied the relationship between brand equity and business performance in the fast moving consumer industry in the United Kingdom and found out that a relationship exists between the two. They stated that a positive brand equity allows the company to capture a place in the minds of the customers. This results in more sales and so more sales revenues thereby having a significant effect on firm financial performance. A similar study was carried out by Sheng Chung Lo (2012) in Taiwan where it was also found that branding has significant contribution to increase the profitability and the shareholders’ value which directly leads to the success of the business. Though these two studies were carried out in developed countries as compared to Zimbabwe which is a developing country, they provide a better ground for the study as to see how the results will be like as compared to those of a similar study in a developed world.

Mohan and Sequeira (2012) also quoted a study done in Thailand on Spa, which is in the hotel service industry, where it was found that the greater the Spa firm’s brand equity, the more likely that they will achieve better business performance through financial performance. This also is in the vein that brand equity, and so internal growth strategies, have got a significant effect on firm financial performance. Thailand is a developing country and since the quoted study was done in the hotel service industry, which is more or less like the fast foods industry, the study provides a strong platform on which to base this current study as Zimbabwe is also a developing country and the industry in question is the fast foods industry.

According to Balbanis and Diamantopoulos (2011), a lot of misconceptions can generate among the customers regarding the origin of the brand and would result in decreased performance by the brands. It affects the purchase intentions of customers and leads to poor evaluation of brands and so leads to loss of sales and the same goes for firm financial performance. They were basing their views on Greece, a developed country. This study thus sees this as hindsight of the effects of brand equity on financial performance of a firm and so this literature is one of those on which to base the study.
2.2.4 Brand portfolio
Cited by Morgan and Rego (2009), Bordly (2003), suggested that portfolios comprising larger number of brands can enable a firm to achieve greater power than channel members and can deter the entry of brand from rivals. The entry of brand rivals can have the impact of reducing the revenues for the entity. This means that brand portfolios have got a significant effect on firm financial performance. By reducing the entry of competitors, a firm can enjoy a monopoly thereby generating more revenue and returns which in turn mean improved firm financial performance.

Aaker and Joachimsthaler (2000), cited by Morgan and Rego (2009), argued that firms should build portfolios in which their brands are complimentary to one another to allow for stronger positioning of the brand in the minds of consumers and greater advertising and administration efficiency. Building a stronger position of the brand in the minds of the consumers will mean customer loyalty which brings with it repeat purchases which will in turn mean improved sales revenue and so improved firm financial performance.

Morgan and Rego (2009) empirically examined the relationship between the brand portfolio strategy characteristics of seventy-two large firms operating in consumer markets and their marketing and financial performance in the United States of America. Their results indicated that firms marketing effectiveness and efficiency explain significant additional variance. They also found that marketing performance outcomes such as current cash flow performance and brand strategy variables are significantly associated with contemporaneous and logged cash flow returns and their associated risks and in turn provides evidence linking marketing with shareholder value. This also supports the idea that effective marketing has a significant positive effect on firm financial performance.
2.3 Diversification

2.3.1 Diversification (general)

According to Kahloul and Hallara (2010) on their study on the impact of diversification on firm performance and risk in France, they found that there is no significant result, the impact of diversification on performance is certainly negative but not significant, using linear regression to analyse the results but if the Entropy variable E in the regression, the results show that performance decreases in the first step then increases with the level of diversification. The first negative phase observed can be explained by expenditures incurred for diversifying the firm, and then the positive effect of diversification on the performance prevails and is related to the various synergies that it can present and to the gains of exploitation of existing resources. The idea brought up here that initially diversification has no effect on firm financial performance but as time goes on it will start to yield significant positive effects on firm financial performance, is totally different to what other researchers have found.

Cited by Santarelli and Thu Tran (2011), Foss and Christensen (2001), argued that diversified firms can create positive spill-overs since the value of resources in one industry increases due to investment in another industry. This, as with many researchers, supports the idea that diversification has significant positive effects on firm financial performance.

Diversification can also lead to the problem of moral hazard due to conflict of interest between managers having interest in costly diversification as a form of compensation and investors preferring to concentrate on the core business to maximize their returns (Bhide, 1990), as cited by Santarelli and Thu Tran (2011). This supports the idea that diversification has significant negative effects on firm financial performance.

2.3.2 Related and unrelated diversification

Oyedijo (2012) supports the idea of Hakrabat (2007). When carrying out his study on the effects of product-market diversification strategy on corporate financial performance and growth, doing a survey from 2010 to 2011, Oyedijo, concluded that diversification, which he split into related and unrelated, has a significant impact on financial performance with related having a significant positive impact unrelated diversification has a negative non-significant impact on performance. He also concluded that there is a high, positive and statistically significant correlation between
financial performance and sales growth and related diversification and therefore related diversification is better than unrelated diversification and a mixed strategy.

Moderate levels of diversification produce higher levels of performance than either single or unrelated diversification (Palich, Cardinal and Miller (2000), as cited by Young Sik Cho (2013) these results seem to support the curvilinear model: firm performance increases as firms move from a single business strategy to related diversification but decreases as firms shift from related diversification to unrelated diversification. This supports the ideas of Oyedijo (2012) that related diversification has a significant positive effect on firm financial performance while unrelated diversification has a significant negative effect on firm financial performance.

The idea of the difference in effects of related and unrelated diversification on firm financial performance is also partly supported by Hitt, Ireland and Hoskinson (2011). They stated that in an unstable market environment, firms tend to pursue related diversification, to develop higher market power through economies of scope between their businesses and unrelated diversification to create value in the financial economies involved in restructuring of assets. But this also brings a new different idea that unrelated diversification can also have significant positive effects on firm financial performance, but only in economies involved in restructuring.

Santarelli and Thu Tran (2011), on their study diversification strategies and firm performance, concluded that product diversification has a curvilinear relationship with profitability: positive when firms expand into industries related to their original industries and negative when they diversify beyond their original industries. They also concluded that a positive relationship between diversification and profitability depends on the relatedness of diversified activities. This is in support of the idea of Oyedijo (2012) of the effects of diversification of firm performance being dependent on the related or unrelatedness of the industries.

### 2.3.3 Diversification of group business

Cited by Rejie and Rezalul (2008), Lins and Servaes (2002) stated that there is a negative influence for diversified firms that are affiliated with business groups. Their study was based on
the effects of diversification on group companies. They suggest that this negative influence could be due to the fact that controlling owners in the group could use diversified firms to expropriate minority shareholders. This supports the idea that diversification has got a significant influence on firm financial performance.

Rejie and Rezalul (2008) concluded that diversification lowers firm performance and also that diversification has an insignificant impact on performance. This, they attribute to the fact that the benefits and costs of diversification by group-affiliated firms cancel out each other. This brings the idea that diversification has got no significant effect on firm financial performance. It actually neither has a negative or positive effect on firm financial performance.

2.4 Information Technology

2.4.1 Innovativeness

Bagheri, Abdul, Rezaei and Mardani (2012), in their case study on large Iranian Manufacturers, concluded that information technology is an important predictor of increasing innovation, innovation is a significant predictor of improving firm performance. They state that innovation explains 29.1% of change in firm performance, innovation is a significant predictor of improving firm performance. They thus concluded that innovation improves firm performance with powerful and comprehensive on all measured aspects of financial and operational performance, which is in support of the ideas of Bagheri (2012)

Lack of sluggishness in persistent innovativeness has been demonstrated to result in market dominance and supremacy from one generation to another. Cited by Bagheri et al (2012), Tellis (2001), gave an example of the personal computer (PC) industry, where market domination has changed from Altair to Tandy, to Apple, to IBM, to Compaq, to Dell, to HP. These findings supports the idea that information technology investment has a significant positive effect on firm financial performance.

According to Subamani and Walden (2001), cited by Bagheri et al (2012), information technology investment can be defined as an announcement of a new initiative related to electronic commerce or the expansion or extension of an already existing initiative and reported
that the market reacts positively (that is stock price increases) to the firms that invested in e-commerce. O Reilly (2004), cited by Bagheri et al (2012), says that there has been a concurrence on the role of innovation on greater firm performance, growth and survival. This means that information technology investment has a significant positive effect on firm financial performance.

2.4.2 Computer supported design
According to Iraz (2008), cited by Zehir, Muceldili, Akyuz and Celep (2010), the computer supported designing models increase the performance of machines and products by using advanced simulation techniques. It also decreases the levels of tolerance during production process through effectively set up feed black mechanisms. This will mean a reduction costs and means efficient and effective use of resources which will in turn result in increased firm financial performance.

2.4.3 E-commerce
Cited by Olugbode, Elbeltag, Simmons and Biss (2008), Taylor and Murphy (2004) highlighted that e-commerce strategies can be adopted by small and medium enterprises for customer base expansion. Customer base expansion results in improved firm financial performance through improved sales revenue for the firms. Coates et al (2002), cited by Olugbode et al (2008), suggest that e-commerce strategy enhances performance in general and time based delivery performance in particular. The use of the phone and fax, face to face and limited use of email promoted data duplication, loss of information, elongated process and increased time frames for decision making.

Olugbode, Elbeltag, Simmons and Biss (2008) conducted their study to see the effects of information systems on firm performance and profitability and deduced that after implementing changes to the existing information systems in order to support the level of growth of the firm, their company of study experienced enhanced customer communication and improved opportunities for maintaining excellent customer relations, increased turnover through business growth as well as increased and improved cost control in the organization. This also supports the
idea that information technology investment has a significant positive effect on firm financial performance.

2.4.4 Information technology usage

The idea of information technology having a significant positive effect on firm financial performance is seconded by Zehir, Mucledili, Akyuz and Celep (2010). They stated that there is a positive relationship between information technology usage and information technology investment level and firm performance. They conducted their study on the relationship between information technology investments and firm performance, investigating different aspects in the literature such as type of investments, industry, company size, and company type and company location in Turkey.

Liang, You and Liu (2010) examined whether information technology and organizational resources have significant effect on firm performance. They found that technology resources can improve efficiency performance but may not enhance financial performance directly. Internal capabilities affect performance but it is external capabilities that affect financial performance. These findings indicate that companies should focus on how information technology resources can be used to enhance their capabilities, which result in better performance. This means that though indirectly, information technology investment results in improved firm financial performance.

Ortega (2010) identified the role of technological capabilities in the rate of the relationship between competitive strategies and performance on one hand and the relationship between cost orientation and performance on the other hand. Aldalayeen, Alkhatatnen and Saleh-AL-Sukkar (2013) highlighted information technology and its impact on the financial performance of firms in Jordan, a developing country. Their results showed the presence of a statistically significant impact of information technology with its variables combined in financial performance in industrial companies. Their findings also mean information technology has a significant positive effect on firm financial performance. This is also supported by Santamaria et al (2010), who demonstrated that information technology implementation derived in a decrease of labour time and therefore a decrease in costs which in turn means an improved financial performance.
2.4.5 Accounting information systems
Ishamil and King, (2005), cited by Grande, Estabanez and Colomina (2011) states that there is a positive association between accounting information system alignment and small and medium enterprises strategy and performance measures. However, according to Naranjo-Gil (2004), cited by Grande, Estabanez and Colomina (2011), there is an indirect relationship between accounting information systems and firms performance via the varying strategies that may be adopted by companies.

Grande, Estabanez and Colomina (2011), on their study on Spanish SMEs, found out that there is a positive relationship among the small to medium enterprises that use accounting information system for fiscal and bank management and better performance measures. According to Menachemi, Burkhardt, Schewchuk, Burke and Brooks (2006), cited by Grande, Estabanez and Colomina (2011), also, there is a positive relation between investment in information technology and economic profitability and value added but however, according to Debrill (2008) there is no clear relationship existing between this type of investment and the performance indicators. Debrill’s findings brings in the idea that information technology investment has no clear significant effect on firm financial performance.

2.5 Hiring of the right personnel
2.5.1 Over or under or adequately qualified
Vernharest and Omey (2010) stated that over-qualification is found to be associated with job dissatisfaction. They went on to say this may result in lower worker effort, higher absenteeism and a greater propensity of disgruntled employees to leave the firm. It has also been pointed out that “overeducated workers may impose significant negative externalities on co-workers, either undermining workplace morale or influencing workplace norms about effort.” (Belfield, 2010, p.237) It is implied based on these proxies of productivity that firms may run the risk of lower competitiveness and profits as a result of their deployment of workers capabilities. This is in contrast to the theory of human capital that over (under)educated workers are more (less) productive than their adequately allocated colleagues in similar jobs since they earn a wage premium (penalty). This highlights the role the hiring of the right personnel plays on the firm financial performance. It means the hiring of the right personnel has a significant effect on the financial performance of a firm.
As cited by European Centre for the Development of Vocational Training (Cedefop) (2012), Buchel (2002), found no evidence of a significant difference in job satisfaction between overeducated and adequately educated workers in Germany in low skilled jobs. Job satisfaction means a productive worker and so improved financial performance by the firm. This contrasts the idea that over or under qualification, and so the hiring of the right personnel, has a significant effect on a firm’s financial performance. In contrast, he shows, using the German Socio-economic Panel data set (GOSEP), that overeducated workers are more productive relative to matched colleagues in the same job. This highlights that the hiring of the right personnel has a significant effect on a firm’s financial performance since there is a difference on the impact of over or under qualification or the rightly qualified on the performance of workers on their jobs.

Rycz (2011), argues that in most available empirical studies by industrial psychologists, the between job satisfaction and job performance rarely exceeds 0.3. Even if it is indeed true that over-education leads to significantly lower job satisfaction, the extent to which this will affect firm productivity might be negligible. This seems to support the ideas of both Varnharest and Oney (2010) and Buchel (2002) that over or under qualification (the hiring of the right personnel) has a significant effect on firm financial performance. Jones et al (2009) examined the effect of an over skilling variable on five indicators of product quality, using the 2004 British workplace employment relations survey. Some evidence was found of a positive relationship between over skilling and some productivity aggregates. Consistent with the human capital theory, higher average education levels and excess skills are found to be positively related to higher to higher labour productivity. This also is in support of the idea that the hiring of the right personnel has a significant impact on firm financial performance.

Cedefop (2012), in their study in Luxembourg, states that productivity depends significantly and positively (negatively) on the source of young over (under)educated workers from within firms, whereas the effects for older over (under)educated workers are insignificant. This also highlights that productivity and at the same time financial performance of a firm is significantly affected by who is hired to do the job and is in support of the notion that the hiring of the right personnel has a significant effect on firm financial.
Jones (2009) examined the effects of an over skilling variable on five indicators of firm performance, financial performance included, using the 2004 British workplace employment relations survey and found evidence of a positive relationship between over skilling and some productivity. His findings are in line with the human capital theory which states that higher average education levels and excess skills are positively related to higher labour productivity, thus, having a bearing on firm financial performance.

2.5.2 Labour turnover
Labour turnover, a result of not hiring the right personnel in the first place, among other factors, leads to high costs of paying off those who would have left the organisation and also replacement costs, also result in significant effects on firm financial performance. According to ORACLE (2012), although estimated financial impacts from turnover fluctuate depending on industry, position, and location, estimates range from 30% to 250% of annual salary.

Turnover costs mount steeply, arising from the direct replacement costs of talent acquisition, the opportunity costs of vacant positions and time to productivity and more broadly lost business performance thus supporting the view that hiring the right personnel has got significant effects on firm financial performance.

2.5.3 Quality performers
The impact of quality performers was crystallized in Mckinseys seminal “War for Talent” study. The seminar found out that, in the opinion of senior managers, high performers outperform average performers by a wide margin. According to the study, high performers in operations roles are able to increase productivity by 40%, high performers in management roles increase profits by 49% and, in sales positions, high performers are responsible for 67% greater revenue.

High performers seem to be the right personnel for the job. To have and retain top talent they should recruit the right people in the first place. This also is in line with the idea that hiring the right personnel has significant effects on the financial performance of a firm.

2.6 Financial performance and growth performance
Table 2.1 showing Indications of Internal growth strategies and financial performance
INDICATORS | CONSTRUCTS
---|---
1. Operating profit | FINANCIAL PERFORMANCE
2. Profits to sales ratio | 
3. Cash flow from operations | 
4. Return on investment | 
5. Sales growth rate | GROWTH PERFORMANCE
6. Market share | 

Source: Gupta and Somers (1996, pp. 204-33)

2.7 Empirical Evidence

Sabina Mutia (2013) conducted a study on an investigation into internal growth strategies effect on financial performance of commercial banks (a case study of equity bank in Nairobi). The main objective was to establish the effect of internal growth strategies on the financial performance of Commercial Banks. Questionnaires were used to collect data, Purposive/Judgmental sampling technique was used to select the respondents. The respondents included Branch managers, Operations managers and marketing managers of each branch. The study found that the organization invests in information technology, range of services accessed, number of referrals and customer feedback affected the financial performance of the bank to a very great extent. The study concludes that the bank had invested in information technology which caused tremendous growth in banking industry. The study recommends the banks to involve customers or customer representatives before investing on any internal growth strategies.

Evaluating the impact of product diversification on financial performance of selected Nigerian construction firms. A study done by Nasiru Adama, Ibrahim Khali Zubairu, Yahya Makorfi Ibrahim and Aliyu Makarfi Ibrahim 2011. The purpose of this study was to determine the influence of diversification on the performance of some Nigerian construction firms. Financial statements from seventy construction firms were analysed. The specialisation ratio method was used to measure and categorise the firms into undiversified, moderately diversified and highly
diversified firms, and profitability ratios were used to measure the group-wise performance of the firms. The Student t-test was used to test the relationship between the extent of diversification and performance. The findings reveal that undiversified firms outperform the highly diversified firms in terms of Return on Total Assets and Profit Margin. Similarly, the moderately diversified firms were found to outperform the highly diversified firms in terms of Return on Equity, Return on Total Assets and Profit Margin. The implication is that firms are better-off remaining focused if the aim is to improve financial performance.

Dr Basman Omar Aldalayeen, Dr Wahid Rath’n Moh’d Alkhatooneti, Dr Ahmond Sale Al-Sukkar conducted a study on Information technology and its impact on the financial performance a case study of industrial industry (Mining and extraction). This study aimed to identify the implication of using the Information Technology (IT), the financial performance of the industrial companies (Mining and Extraction). The questionnaire was used to collect the data of to achieve the objectives of study. A random sample of 176 respondents was used. The researchers used financial reports on the stock exchange and SPSS was used to analyse data. The results found that implication of IT has a positive effect to the financial performance of mining and extraction industries. Findings of study recommended a number for recommendations and notably such as providing an effective working environment in industrial companies focusing on the information technology which companies are able to achieve competitive advantages.

Christopher Easingwood and Christopher Storey (1995) conducted their study on the impact of new product development project on the success of financial services. Their main objective was to identify the impact of new product development on the success of financial performance. A questionnaire was used for a sample of 78 respondents. The study concluded that good fit between the new services and the organization and internal marketing are key determinants of success. Technological advantage, market research and responsiveness are also associated with success of a firm’s performance.

New products, sales promotions and firm value with application to the automobile industry by Koen Pouwels, Jorge Silva-Rioso, Shub Srinivasan and Dominique Hanssels. The study was conducted in September 2003 their main objective was to look at the impact of new products and sales promotion on financial performance and firm value. Their findings were that product
introductions have positive and growing effects on firm value. In contrast, they found out that
sales promotions diminish long-term firm value even though they have positive effects on
revenues and in the short run an profits.

David Conklin’s (2008) study of Richard Ivey School of Business Study of Bionade Soda
Company, the company focused on marketing strategies of the highly innovative organic drink in
Germany. The bionate Soda was refused by distributors to stock, as it was unknown product. Fortunately, the product caught attention of some media and advertising professionals, who frequented a small bar in Munich Germany, where the bar owner fascinated by the product-added the drink to his menu. With the help of low budget marketing technique and below the line promotions Bionade Soda made a place for itself in the market. Having faced tough times in the initial years, the sales skyrocketed by 2007 and within a short span of time, its owners turned into millionaires. Following this incredible success in the German market, the makers of Bionade Soda aspired for international expansion.

A study done by Gupter Gayatri’s (2008) on Woolworths growth strategies, the company focused on its customers’ needs and improved its market share making it the leading food retailer of Australia. The company transformed from being a company that was system driven to a company that others try to emulate. The company used innovation and customer satisfaction to become number one food retailer by early 1990’s in Sidney Australia. The Company survived a scene when its unprofitable ventures almost led to bankruptcy. However its innovative initiatives that emphasized better shopping experience and reduction of prices to attract customers helped the company to tide over the crises and became a fortune.

According to Robert Ruffallo’s (2006) study of the Indian Biotech Pharmaceutical Company, the company used organic growth through innovation on Information Technology and focused approach. These two strategies enabled the company reach great heights. The company transformed from a small entity into the largest biopharma company in India.

A study done by Yu-hing Chiao, Chow-Ming Joseph Yu, Peng-Yuli and Y-Chaun Chen on subsidiary size, internationalization, product diversification and performance in an emergency market. The purpose of the study was to explore subsidiaries diversification strategies both internationally and with regard to their product offering. The study seeks to examine at the
subsidiary level the relationships between subsidiary size, internationalization, production diversification and performance. The study’s findings indicated that subsidiaries engaging in a relatively greater number of internationalization and product diversification activities will perform better than those engaging in fewer such activities.

Marisa Ramírez Alesón and Manuel Espitia Escuer analyzed the impact of product diversification on performance. Their main objective was to measure the impact of product diversification on performance of companies. Performance was measured using Tobin’s q for a sample of 103 large, non-financial Spanish firms (1992–1995). Diversification was measured by means of a categorical variable, as suggested by Varadarajan. The principal results indicate that the firms with intermediate levels of product diversification have the highest performance, while the firms with low and high levels of diversification show significantly lower performance, which performance is not significantly different between them.

Empirical research that would have explained the relationship between internal growth strategies and company financial performance is inconclusive and/or thin many researchers concentrated only on one variable not looking at a number of variables that constitute the internal growth strategies and this research wanted to fill that gap in Zimbabwe. This study intended to explore the various internal growth strategies employed by fast foods companies in Zimbabwe and their effects on the firm’s financial performance.

2.8 Summary
This chapter highlighted the theoretical as well as empirical literature on internal growth strategies effects on financial performance, external growth strategy and effects on financial performance as well as the factors affecting financial performance of firms. This enabled knowledge gaps to be filled by the current study. The next chapter focuses on the research methodology employed to achieve research objectives.
CHAPTER III

METHODOLOGY

3.0 Introduction
This chapter gives a clear description of the research methodology that was used to gather and to analyse data collected for the study. It outlines the research design, the population and sampling techniques. It also covers the research instruments employed, data collection procedures and the approach used for data analysis in the study.

3.1 Research Philosophy
Due to the nature of investigation, this study sought to justify the subsequent methods chosen as part of the research strategy. The positivism philosophy was adopted. This method entails the need to collect facts, use of statistics and experiments or surveys when in research.

This approach assisted in the beliefs of the researcher not to influence the research outcomes as the problem and research questions will be converted into quantifiable variables which were analyzed statistically.

3.2 Research Design
According to Kothari (1990) a research design is the conceptual structure within which research is conducted; it constitutes the blue print for the collection, measurement and analysis of data. The researcher used a quantitative approach in this study. Data was collected using a case study. This design suited well in this investigation as it narrowed down the effects of internal growth strategies on firm performance to the fast foods industry in Zimbabwe and thus adopted by the researcher.

3.2.1 Advantages of a Case Study
- It allowed the researcher to collect relevant in a relatively short period of time
- It allowed more variables to be considered at one time that is internal growth strategies and the financial performance,
- Accessibility to respondents and it was easy to gather data and cost efficient.
It was easily understood and left the researcher in more control of the research process.

3.3 Population and Sample

3.3.1 Target Population
The researcher considered fast foods firms in Zimbabwe with focus being on Innscor Africa Ltd fast foods retail division. The target population was the finance, marketing and customer service personnel. The employees were divided into two; management and officers. The study intended to capture data on the internal growth strategies employed and their effects on firm financial performance.

3.3.2 Sample size
• The sample was made of ten respondents from management and thirty officers.

3.3.2.1 Sampling techniques
Since not all employees can be interviewed and have questionnaires submitted to them, a sample was taken from them to be interviewed and given questionnaires. The researcher used purposive sampling for both management and officers. Purposive sampling is a Non-Probability sampling technique in which the person who is selecting the sample is the one who tries to make the sample representative, depending on his opinion or purpose. Purposive probability sampling was used because they can provide researchers with the justification to make generalization from the topic that will be under study. It also provided a wide range of non-probability sampling techniques for the researcher to draw on.

3.3.3 Sources of Data
The researcher made use of both primary and secondary data.

3.3.3.1 Primary Data
The primary data was collected by the use of questionnaires. The advantage of primary data with regard to this study is that valid data that is for the purpose at hand was collected.
3.3.3.1 Advantages of primary data

- New and appropriate data was obtained which was not invalid
- Primary data proved to be highly dependable and reliable
- The accuracy of the data could be discovered since there was high involvement on the part of the researcher.

On the other hand, collection of this data was tiresome and it took time especially when the questionnaires were distributed and waiting for responses.

3.3.3.2 Secondary Data

The researcher also made use of secondary data. Secondary data is essential to build, develop and design appropriate questions for primary data collections. The secondary data was obtained from published printed material (books, journals, magazines and newspapers), electronic sources (e-journals and websites) and researches by other academicians were also used. Annual report for Innscor Ltd fast foods division were also used.

3.3.3.2.1 Advantages of Secondary data

- Assisted in providing a better understanding of the problem under study
- It acted as a supplement of the primary data collected
- Analysis of secondary data enlightened on specific areas to concentrate on during primary data collection through the identification of deficiencies
- The data is less costly to collect since the researcher would easily get the data from books, internet and any other relevant material like journals, reports.

However, the information was subjective since it was originally collected for other determinations and due to the ever changing and dynamic environment. The researcher conversely eliminated this paleness by collecting the data that specifically address the research questions and objectives.
3.4 Research instruments
The researcher made use of questionnaires to collect primary data. The questionnaires were completed by the management of the firms as well as lower level employees. A questionnaire is a method of collecting data which enables the researcher to explain the purpose of the study and the meaning of items that may not be clear.

One questionnaire was used for both management and lower level employees with a section which required them to highlight whether the respondent is from the management or just a general employee. The questionnaire contained two sections, the first section dealt with background information of the respondents while the second section dealt with the study objectives. A questionnaire was used in this study because respondents of the study are literate and were quite able to answer questions asked adequately.

3.4.1 Questionnaires
Self-administered questionnaire was used in this study to collect quantitative data from the employees. The researcher assured the respondents that information collected was for research purpose only and the responses from the respondents were treated with confidentiality.

The questionnaire contained both structured and unstructured (closed and open ended) questions. Closed questions filter extreme answers that occur in an open format whilst the open ended questions allows unrestrained responses and gives respondents room to express their views to their satisfaction. The questions were made clear and unambiguous to avoid confusing the respondents.

3.4.1.1 Appropriateness of the Questionnaire
A questionnaire was used because:

- It was cheaper and easier to administer in limited time the researcher had.
- Questionnaires means less bias as there will be little interaction between the respondents and the researcher meaning the elimination of bias from the study.
- They gave the respondents anonymity and privacy, which means they were able to air their views without fear, thus it encouraged honest answers.
- Data provided by the questionnaire was easy to analyse and interpret and so allowed the researcher to analyse and interpret the data with minimum difficulties.
A questionnaire allowed for better comparability of responses due to uniformity in the questions that all the respondents were asked.

3.4.1.2 Limitations of Questionnaire

- The use of questionnaires deprived the author from noticing the respondents' attitude and expression (non-verbal communication) towards certain questions which are very important.
- There was no room for asking questions when there was any need for probing for both parties the researcher and respondent.
- Open ended questions generated large amounts of data that took a long time to process and analyse and this made the analysis and interpretation a bit difficult.

3.5 Data Collection Procedure

The researcher collected an introductory letter from the University to collect data from the companies then personally delivered the questionnaires to the respondents and have them filled in and then collected them later: the drop and pick later method was used.

3.6 Data Validity and Reliability

Best and Khan (1993) define validity as the quality of gathering instrument that enables it to measure what it is supposed to measure. Tracee and Tracee, (1986) states that the concept of reliability refers to the consistency of the gathering of instruments in obtaining the same results in a similar situation even though the environment differ. To ascertain reliability and validity of the research instruments, the questionnaire was pilot tested on a small sample of respondents since it was impossible to predict how questions will be interpreted by the respondents. According to Polit, (2001), pilot studies are small scale version(s), or trial run(s), done in preparation for the major study. The researcher further improved validity and reliability by redesigning specific, ambiguous and inappropriate questions that embraced the area of study. Also clarifications on how to fill the questionnaire was done to avoid misunderstanding.

3.7 Data Analysis Procedure and presentation

All quantitative data collected was analyzed using Microsoft excel. Frequency distribution tables and graphs were run to determine relationships between variables in the study. The analyzed data was used to come up with graphs, tables and pie charts.
3.8 Chapter Summary
This chapter outlined the research methodology used in carrying out this study. Discussed in this chapter are the research design, research method, research instrument, research population, research sample and sampling techniques, data collection methods and research instruments as well as data presentation and analysis plan used.

CHAPTER VI
DATA PRESENTATION INTERPRETATION AND DISCUSSION

4.0 Introduction
The main objective of the study was to investigate the impact of internal growth strategies on the financial performance of fast foods companies in Zimbabwe. Qualitative data was analyzed using the Inductive Approach where data was analyzed with little or no predetermined theory, structure or framework and used the actual data itself to derive the structure of analysis. Graphs, pie charts and tables were used to present the quantitative data. The questionnaires were dropped and later picked at a later date to allow the respondents to fill the questionnaires at their own time. Once the respondents answered the questionnaire, data was then coded and analysed using graphs and pie charts from Microsoft excel.

4.1 Response rate
The study targeted 40 respondents, 30 officers and 10 management of the organization, in collecting data with regard to impact of internal growth strategies effect on the financial performance of fast foods companies. From the study, 22 officers out of the 30 sample officers filled-in and returned the questionnaires making a response rate of 73.3% while 8 management out of the 10 sample management filled-in and returned the questionnaires making a response rate of 80%, all making an overall response rate of 75%. This reasonable response rate was achieved after the researcher made personal calls and physical visits to remind the respondent to fill-in and return the questionnaires.
4.2 Demographics Information

4.2.1 Positions held by the respondents
The study sought to find out the designation of the respondents. The following table shows the frequency and percentage of designations for officers.

Table 4.1 Showing positions held by the respondents

<table>
<thead>
<tr>
<th>Designation</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Valid Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing staff</td>
<td>8</td>
<td>36.36%</td>
<td>36.36%</td>
</tr>
<tr>
<td>Accounts clerks</td>
<td>10</td>
<td>45.45%</td>
<td>45.45%</td>
</tr>
<tr>
<td>Sales supervisors</td>
<td>4</td>
<td>18.19%</td>
<td>18.19%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>22</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data

Table 4.2 The following table shows the frequency and percentage of designations for management

<table>
<thead>
<tr>
<th>Designation</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations managers</td>
<td>3</td>
<td>37.5%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Marketing Managers</td>
<td>2</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Branch Managers</td>
<td>1</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>1</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Finance Director</td>
<td>1</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data
4.2.2 Period the respondents had worked with the organization

It was of great importance for us to know the period the workers had worked for the organization for purposes of analyzing the data.

Table 4.3 shows the periods the respondents had worked for the organisation

<table>
<thead>
<tr>
<th>Period</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td>1-4 years</td>
<td>8</td>
<td>26.67%</td>
</tr>
<tr>
<td>5-10 years</td>
<td>18</td>
<td>60%</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>1</td>
<td>3.33%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data

4.2.3 Academic Qualification of the respondents

The study required the respondents to indicate their highest academic qualifications and according to the findings 66% of the respondent had reached university whilst 34% had attained tertiary/college education. The results are tabulated and shown in a pie chart below the table as follows:

Table 4.4 Highest academic qualifications

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>College/Tertiary</td>
<td>10</td>
<td>33.33%</td>
</tr>
<tr>
<td>University</td>
<td>20</td>
<td>66.67%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>
The pie chart shows that all the respondents had attained at least college education or university which shows that all the respondents are educated and of the 30 respondents 10 had other professional courses which is 33.33% of the total when expressed in percentage.

4.3.0 Effective marketing
In general it is about making customers, both existing and potential, aware of your products on offer and continuously reminding them of such. It encompasses customer satisfaction and market orientation, product quality and development, brand equity and brand portfolio. It is one of the independent variable upon which financial performance depends on.

The study sought to bring the marketing effects on firm’s financial performance with information provided by both the management and other employees of the organisation. Employees were asked of their views on if marketing is a tool that they can use as an organization to increase market share and sales. The results were tabulated in the table below and were presented on the graph below the table.

Table 4.5 Respondents views on marketing as a tool to be used in increasing sales and market share

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>11</td>
<td>36.67</td>
</tr>
</tbody>
</table>
Agree | 13 | 43.33  
Strongly disagree | 4 | 13.33  
Disagree | 2 | 6.67  
Total | 30 | 100

Source: Primary data

From the diagram above it can be seen that about 80% of the respondents agree that marketing is a tool that can be used to increase market share and the sales of fast foods companies in Zimbabwe. This is in support of David Conklin’s (2008) who conducted a study on effective marketing and its effect on sales and market share of a firm and found that marketing is a tool to improve sales and market share.

4.3.1 The extent to which marketing affects financial performance

The study also required the respondents to indicate the extent to which marketing affect the financial performance of fast food companies in Zimbabwe. The results are shown below in table 4.6

<table>
<thead>
<tr>
<th>Marketing tool</th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Not at all</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
</tr>
</tbody>
</table>
As shown in the figure above the results show that marketing affects the financial performance of fast foods companies to a greater extend as more than 50% of the employees are agreeing to that. This is in line with Jaakola et al (2010)’ findings that effective marketing has significant effects on firm financial performance. Jaakola et al (2010) were looking at the effects of market orientation on financial performance of firms.
4.3.2 The research sought to find out how often marketing is done through promotions and advertising and the findings highlighted that advertising is done both after launching a new product and when offering a promotion. Some respondents also highlighted that some marketing strategies are done periodically depending on the season. So this shows that marketing is a strategy that can be done every day without ceasing in order to increase sales and the market share especially with the increased competition in fast foods retailing. 98% of the employees also recommended to a greater extend for the firm to invest in effective marketing.

4.4 Product diversification

Hoffer and Reilly 1984 defines diversification as a risk management technique that mixes a wide variety of investments within a portfolio. Diversification strives to smooth out unsystematic risk events in a portfolio so that the positive performance of some investments will neutralize the negative performance of others. Generally it is when a firm moves from current operations to other operations of similar or different nature.

The study sought to discover the effects of diversification through establishing if the firm has employed related or unrelated diversification and then relate it to firm financial performance looking at its effect. The study also looked at the period taken for a new product to be introduced and the respondents indicated that almost yearly. The respondents indicated that it’s either a new product is introduced or the existing product are developed in order to meet customer satisfaction.

Table 4.7 below show the extent to which product diversification and product development affects the daily sales of a firm

<table>
<thead>
<tr>
<th>Very extent</th>
<th>great</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Low extent</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
<td>%</td>
<td>Freq</td>
<td>$</td>
</tr>
<tr>
<td>5</td>
<td>16.67</td>
<td>10</td>
<td>33.33</td>
<td>10</td>
<td>33.33</td>
</tr>
</tbody>
</table>

Fig 6 Pie chat illustrating the results shown in table above of product diversification effect on daily sales.
From the results shown above it shows that most respondents were agreeing that product diversification affects the sales of fast foods companies with 33% of the employees indicating that it affects to a moderate extend and 50% indicating that it affects to a very great and to a great extend only 17% of the employees indicated that it has no significant effect extend saying that it affects to a very low. This also meant that Oyedijo (2012)' assertions that diversification has significant positive impacts on firm financial performance when it is related and significant negative impacts when it is unrelated can be verified and supported. Also the respondents indicated that product diversification has an effect on the financial performance as they were required to give their own opinions concerning that matter. Their reasons being that if products are diversified this will give customers a range to choose what to buy thereby increasing the sales leading to growth.

4.5 Information Technology
The usage of information technology, broadly refers to the usage of computers and peripheral equipment. This has seen tremendous growth in service industries in the recent past. Information technology investment means the upgrade of an existing information technology system or the new investment in information technology system.
A technology based accounting information system as well as a technology based customer order processing system were considered by the study as constituents of information technology investment. The issue here was if the organization had invested in customer order processing system, E-commerce, Accounting software, online advertising, stock control system and any other information technology system and to what extend has it affected the financial performance of the firm. The table below shows respondents feedback on issues of information technology.

Table 4.8 To what extend does information technology affect the financial performance.

<table>
<thead>
<tr>
<th>IT TOOL</th>
<th>VERY GREAT EXTENT</th>
<th>GREAT EXTENT</th>
<th>MODERATE EXTENT</th>
<th>LOW EXTEND</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMER ORDER PROCESSING SYSTEM</td>
<td>10</td>
<td>15</td>
<td>5</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>E-COMMERCE</td>
<td>12</td>
<td>40</td>
<td>10</td>
<td>5</td>
<td>30</td>
</tr>
<tr>
<td>ACCOUNTING SOFTWARE</td>
<td>15</td>
<td>50</td>
<td>10</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>ONLINE ADVERTISING</td>
<td>10</td>
<td>33.33</td>
<td>12</td>
<td>5</td>
<td>30</td>
</tr>
<tr>
<td>STOCK CONTROL SYSTEM</td>
<td>10</td>
<td>33.33</td>
<td>12</td>
<td>5</td>
<td>30</td>
</tr>
</tbody>
</table>
Source: Primary data

Over 80% of the employees agreed either to a very greater extend or to a greater extend that the firm has a technology based accounting information system making information technology investment a potential factor to result in the current firm financial performance of the organization. The respondents agreed that this technology has an effect to the financial performance as it results in fewer employees for the book keeping and accounting since the system does much of the workload. Fewer employees will result in low wages thereby reducing the costs of the company whilst increasing its profits in the long run.

This overwhelmingly supports the findings of Olugbode et al (2008) that information technology investment through information systems has significant effects on financial performance through reducing delays in information processing. Ishamil and King, (2005), cited by Grande, Estabanez and Colomina (2011) also states that there is a positive association between accounting information system alignment and small and medium enterprises strategy and performance measures. However, according to Naranjo-Gil (2004), cited by Grande, Estabanez and Colomina (2011), there is an indirect relationship between accounting information systems and firms performance via the varying strategies that may be adopted by companies.

On customer order processing system 100% of the respondents agreed that it has a positive effect to the financial performance of fast foods companies. Though the level of agreeing
differed with each respondent some agreed to a very greater extend, some to a greater extend whilst some agreed to a moderate extend. The likely effects of this system is to increase the speed of processing the customer orders. This has the effect of luring more customers as delays in order processing are not desirable. This will then mean high turnover, improved financial performance. Bagheri et al (2010) had the same findings when they found out innovativeness to have significant positive impact on firm financial performance.

The study also sought to look at E-Commerce and the over 70% of the respondents show that this has an effect to the financial performance of fast foods companies as customers will be able to place orders online and their orders to be delivered wherever they are. This is seconded by Olugbode, Elbeltag, Simmons and Biss (2008), Taylor and Murphy (2004) who highlighted that e-commerce strategies can be adopted by small and medium enterprises for customer base expansion. Customer base expansion results in improved firm financial performance through improved sales revenue for the firms. Coates et al (2002), cited by Olugbode et al (2008), suggest that e-commerce strategy enhances performance in general and time based delivery performance in particular. The use of the phone and fax, face to face and limited use of email promoted data duplication, loss of information, elongated process and increased time frames for decision making.

Looking at all the responses on information technology based tools we can conclude that it has a positive effect to the financial performance of fast foods companies and can be used as an internal growth strategy to improve the financial performance.

This is supported by Olugbode, Elbeltag, Simmons and Biss (2008) who conducted their study to see the effects of information systems on firm performance and profitability and deduced that after implementing changes to the existing information systems in order to support the level of growth of the firm, their company of study experienced enhanced customer communication and improved opportunities for maintaining excellent customer relations, increased turnover through business growth as well as increased and improved cost control in the organization. The idea of information technology having a significant positive effect on firm financial performance is seconded by Zehir, Mucledili, Akyuz and Celep (2010).
4.6 Hiring the right personnel

The study sought to find out the effect of hiring qualified and unqualified workers to the financial performance of Innscor Ltd Fast foods division. The results are shown in the table and figure below.

Table 4.8 showing the effect of employing qualified and unqualified employees to the financial performance of Innscor Ltd Fast foods division

<table>
<thead>
<tr>
<th>FREQUENCY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified Employees</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td>Extend</td>
</tr>
<tr>
<td>Unqualified Employees</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td>Extend</td>
</tr>
</tbody>
</table>

Source: Primary data

Fig 8 Qualified employees

Source: Primary data
From the results shown above this shows that hiring of qualified or unqualified employees has a negative effect to the financial performance of Innscor Ltd. Since the effects of both the under and overqualified personnel on firm financial performance has been ruled out as the company has not had neither of them, it leaves the adequately qualified personnel aligned to the financial performance. The study thus could not deny or support the ideas of Jones (2009) that there is positive relationship between over skilling and financial performance which is in support of the human capital theory. Neither could it deny nor do support Vernharest and Omey (2010) have views that over qualification has negative effects on firm financial performance. An organization’s staff has to meet the requirements of that respective industry and this applies here with the employees of Innscor Africa Ltd fast foods retail division. They have to meet this industry’s requirements, this industry seem to be based on what customers expect of them.

4.7 Retained income
Retained earnings are calculated by adding net income to (or subtracting any net losses from) beginning retained earnings and subtracting any dividends paid to shareholders (Christian, 2008).
According to Innscor Annual report from 2010 to 2013 revenue and operating profit has been increasing from 2010 to 2013 with a slight decrease in operating profit in 2013. As shown by the table below Fig 10 showing operating profit to revenue.

Source: Innscor Ltd annual report 2013

The annual report states that the fast foods division recorded an increase in revenue of 9% in 2013 as compared to 2012. With fast foods contributing a significant growth in sales in the group accounts.

The report for 2013 further highlights that products were improved which is in line with customer satisfaction and pricing strategies were successfully introduced at Chicken Inn and Pizza Inn. A new Fish inn brand was launched in April 2013 which is product diversification. After the introduction of the above internal growth strategies customer counts which is the growth in sales and market share within the regional operations increased by 4% to 11.7 million customers. This is in line with Oyedjigo (2012)’s findings that product
diversification has a positive effect on firm financial performance. Sheng Chang lo (2012) also carried out a similar study on customer satisfaction which in this case was achieved through improved products, to have a significant effect to the financial performance increasing sales and shareholder value.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
The purpose of the study was to find out internal growth strategies effects on firm financial performance. This chapter outlines the conclusion of the study according to the study results, it presented the summary of the findings of the study. The chapter will give the conclusion of the study, recommendations and then suggestions for future research. The conclusions are drawn basing on the study and recommendations made.

5.1 Summary of findings
The study intended to find the impact of internal growth strategies on financial performance of fast foods companies in Zimbabwe. The motive was to see if the internal growth strategies were the ones responsible for the current fast growing financial performance of the firm spurning from 2010 up to 2014. If these were the causes of such performance then it would mean that they should be adopted by most of the firms since most of these firms focus on external growth strategies.

The study reviewed relevant literature relevant to the study and adopted the positivism philosophy whereby the need to collect facts, use of statistics (quantitative) and experiments or survey in research and the researchers own beliefs got no value to influence the research investigation. Questionnaires were used to gather data from the employees and customers of the organization. The study then used Microsoft excell in analysing the data gathered and the data was presented in graphs and pie charts. The study managed to identify future work that need to be done on the topic so as to compliment this research.
5.2 Conclusions

Effective marketing was found by the study to result in fast growing firm financial performance through its constituents of advertising, promotions, customer satisfaction and market orientation and product quality and development. The study thus found effective marketing responsible for the current firm financial performance. The firm however has to improve its advertising through increasing its advertising media to include radio adverts and improve the quality of their products through the quality of their raw materials.

The study found that product diversification through new products and product development has a significant effect on the financial performance of fast foods companies. The study thus found product diversification through the launching of a new product as one of the factors influencing the firm’s financial performance. The firm however has to develop the existing products in order to improve its products quality and also to introduce new products on the fast foods market to attract a range of customers of different tastes.

The study also found information technology investment to yield fast growing firm financial performance through information technology usage, accounting information systems, e-commerce, stock control system, innovativeness. Information technology was thus found to be one of the growth strategies responsible for the firm’s financial performance.

The study also found hiring the right personnel resulting in fast growing financial performance of the firm. Overqualified personnel were found to have moderate effect on firm financial performance, the adequately qualified to have moderate effects again while the under qualified were found to have negative effects on financial performance. The firm has only employed the adequately qualified so the current firm financial performance was attributed to these and so hiring of the right personnel. The firm’s personnel, however, has to improve on their interaction with customers.

5.3 Recommendations

5.3.1 Organization

The organization and so the industry needs to adopt more the internal growth strategies such as effective marketing, information technology investment, customer satisfaction and hiring the right personnel as these were found, by the study, to have significant effects on firm financial performance thus resulting in fast growing firm financial performance. Also
diversification, though adopted to a lower extent by the firm, needs be adopted as a growth strategy. The firm also has to adopt the external growth strategies to complement the internal growth strategies as two is always better than one.

5.3.2 Further studies
This study provided and added to the platform upon which future researchers are to base their studies. Similar studies need also be carried out in other industries such as retail industries and the transport industry.

REFERENCES


Dear respondent

The researcher, B1231373 is a student at Bindura University of Science Education carrying out an academic research on an investigation into the impact of internal growth strategies on financial performance of fast food companies in Zimbabwe. The research is carried out in partial fulfilment of the researcher’s degree Bachelor of Accounting Honours Degree (BACC)

You are therefore requested to allocate little time to answer the following questions. This research is purely for academic purposes and each individual response will be treated with due confidentiality.

Kindly tick (√) the following questions by placing a tick were appropriate and provide a narrative answer were necessary.
SECTION A
PERSONAL DETAILS

1a. Designation of the respondent……………………………………………………………………

b. How long have you worked with the organization

<table>
<thead>
<tr>
<th>Less than 1 year</th>
<th>2-4 years</th>
<th>5-10 years</th>
<th>Over 10 years</th>
</tr>
</thead>
</table>


c. What is your highest academic qualification?

<table>
<thead>
<tr>
<th>Primary</th>
<th>Secondary</th>
<th>College/Tertiary</th>
<th>University</th>
<th>Other (specify)</th>
</tr>
</thead>
</table>


d. Which other professional training do you have…………………………………………………

SECTION B
MARKETING

2a. Does your organisation invest in marketing?      YES □   NO □

b. Is marketing a tool that you use to increase market share and sales in your firm?

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
</tr>
</thead>
</table>


c. When you do your marketing, to what extent does the marketing affect your financial performance

<table>
<thead>
<tr>
<th>Marketing tool</th>
<th>Very great</th>
<th>Great</th>
<th>Moderate</th>
<th>Not at all</th>
</tr>
</thead>
</table>
d. How often do you market your products through promotions and advertising?

<table>
<thead>
<tr>
<th>Marketing tool</th>
<th>After launching a new product</th>
<th>When offering a promotion</th>
<th>Periodically (Specify period)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banners</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online advertising</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

e. How does effective marketing through the use of promotions and advertising affect the financial performance of the firm?

<table>
<thead>
<tr>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Low extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

f. In your own opinion do you recommend the firm to invest in effective marketing?

<table>
<thead>
<tr>
<th>To a greater extend</th>
<th>To a lesser extend</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Give reasons. .................................................................................................................
........................................................................

PRODUCT DIVERSIFICATION

3a. Does your organization launch new products? YES □ NO □

b. If YES after how long do you introduce new products?
c. When a new product is launched to what extent does this affect your daily sales?

<table>
<thead>
<tr>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Low extent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

d. In your own opinion do you think product diversification has an effect on the financial performance of fast food companies?

<table>
<thead>
<tr>
<th>To a greater extend</th>
<th>To a lesser extend</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Give reasons…………………………………………………………………………………………

INFORMATION TECHNOLOGY

4a. Does your firm invest in information technology YES ☐ NO ☐

If YES what technologies have you invested in as a fast food company

…………………………………………………………………………………………

b. To what extent do the following Information technology affect the financial performance of the firm?

<table>
<thead>
<tr>
<th>IT tool</th>
<th>Very great extend</th>
<th>Great extend</th>
<th>Moderate extend</th>
<th>Low extend</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer order processing system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-Commerce</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting software</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online advertising</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Stock control system
Other (specify)

c. How often do you change in terms of information technology?

<table>
<thead>
<tr>
<th></th>
<th>1-5 years</th>
<th>6-10 years</th>
<th>11-15 years</th>
<th>15 and above</th>
<th>Never</th>
<th>Other (specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


d. How is the financial performance of the firm affected by the introduction of new technology in the firm?

Positively □ Negatively □ No effect □ Other □

Specify……………………………………………………………………………………………………………………

e. Is it ideal for fast food companies to invest in information technology YES □ NO □

If YES give reasons……………………………………………………………………………………………………

HIRING THE RIGHT PERSONEL

5a. Does your company employ qualified personnel? YES □ NO □

What is it that your firm considers when recruiting

…………………………………………………………………………………………………………………………..

b. Do you offer induction training to your new employees YES □ NO □

If yes to what extend has this had to the performance of your workers in terms of meeting customer satisfaction

<table>
<thead>
<tr>
<th>Very great extend</th>
<th>Great extend</th>
<th>Moderate extend</th>
<th>Low extend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
c. To what extend has employing qualified employees affected the financial performance of your firm

<table>
<thead>
<tr>
<th>Very great extend</th>
<th>Great extend</th>
<th>Moderate extend</th>
<th>Low extend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

d. If your firm employees unqualified workers to what extend has this also affected your financial performance.

<table>
<thead>
<tr>
<th>Very great extend</th>
<th>Great extend</th>
<th>Moderate extend</th>
<th>Low extend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your participation.