

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Vision Setting among Zimbabwean SMEs And Its Impact on SMEs' Survival and Growth

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Abstract:

Management literature has always argued on the importance of vision formulation for success in business undertaking. Vision formulation is equally important to SMEs development especially in development in the economic activities in Zimbabwe. It is acknowledged that vision formulation is key to the performance of SMEs. This study seeks to establish how vision influences the implementation of strategy which is important to both the survival and growth of SMEs, and their continued contribution to economic growth. There is evidence that SMEs owners have developed visions for starting and growing their businesses. The findings of this study indicate that vision formulation is anchored in either the social security of the owners or are competitive business driven. The social security businesses pursue strategies different from those that is essentially business focused with the later realising greater success than the former.

Key words vision, SMEs, strategy implementation, survival, growth

1. Introduction

Most countries realise the important role played by Small to Medium-sized Enterprises (SMEs) in driving economic development. In Zimbabwe, the sector employs more than 60% of the country's workforce and contributes about 50% of the country's domestic product. SMEs also help broaden the tax base and are also a major driver of rural development, (Biti, 2013) Economic development is a national vision aimed at addressing society's problems such as poverty, unemployment and lack of economic development among others. Temtime and Pansiri (2006), reported that Botswana still faced the problem of economic diversification, employment creation, income distribution and poverty alleviation. Zimstats (2012) established that the currently employed population aged 15 years and above, was estimated to be 5.4 million and of these, 84% were considered to be in informal employment, 11% were in formal employment and 5% were in employment not classifiable, emphasizing the role of SMEs.

However it needs to be accepted that individuals have their own visions when they start and run businesses and these have little to do with national goals. For example, at the national level the starting of businesses was to address the unemployment problem but at the individual level it might have been a matter of finding a job substitute and eking out survival at the household level. The quality of businesses referred to in the Zimstats (2012) survey report are not the ones that will drive national economic development as only 28 per cent of the 2 million SMEs had employees other than the owner. The majority of the informal businesses only had the owner as an employee.

The economic challenges are forcing people to start businesses both formal and informal. There is pressure to react (Mboko & Smith-Hunter, 2009) and this might generally affect how SMEs in Zimbabwe implement strategies in the long term given the short term orientation of some businesses. Such businesses are driven by the will to survive rather than any other long term goals. According to the survey by McPherson (1991) most businesses were very small and only a very small percentage had grown in terms of employment and turnover in the last ten years, (Mboko & Smith-Hunter, 2009). Having a vision is pivotal in determining the amount of effort an individual will apply in moving an organisation in a given direction. SMEs is said to have formal or informal visions and missions (Mboko & Hunter-Smith, 2009; and Naicker & Saungweme, 2006), but there is very little literature on how such visions influence strategy implementation in the Zimbabwean context. The objectives of this study are:

- To establish how SMEs in Zimbabwe develop their visions and mission statements.
- To examine how vision orientation influences strategy implementation approaches in SMEs
- To determine the results of vision orientation on SMEs performance

2. Literature Review

Mboko and Smith-Hunter (2009) are of the view that Zimbabwean SMEs are focused on the short term and that they are still in the early stages of strategy formulation. Effective strategy formulation requires the effective setting of objectives, the

identification and evaluation of alternative action and the implementation of the selected choice (Tan & Platts, 2006). The vision is the starting point in strategic management and Mboko and Hunter-Smith (2009) note that SMEs' planning is limited to visioning and objective setting. What is not immediately apparent are the approaches or orientation that SMEs owners adopt in creating this vision. This could cause differences in the implementation approach dictated by the economic environment in the country. Stonehouse and Pemberton (2000) confirm that the vast majority of organisations participating in the services sector appear to plan strategically in the sense that they have a clearly articulated vision and mission statements supported by business objectives. They report that organisations only set strategic targets in terms of sales, profits and costs, with the manufacturing sector placing greater emphasis on these aspects than service oriented companies. This tends to be a very narrow approach to strategy formulation, which might have a significant effect on how these strategies are eventually implemented and do not give the overall direction where for example, the organisation is headed beyond profits and sales.

SMEs seem to have encountered problems when operationalizing the vision to such an extent that some activities undertaken by SMEs are not informed by the vision. The current strategy frameworks and processes seem to focus on broad direction and the establishment of objectives (Tan & Platts, 2006). Mboko and Smith-Hunter (2009) argue that entrepreneurs who use reactive strategy use an approach that lacks anticipation of needs and so often fail to develop firms with the capacity to implement day to day operations. They further state that they are generally panic stricken, run around a lot and have high levels of frustrations. However, there is no indication in these studies whether or not SMEs actually implemented these visions or targets and how well the targets were actioned.

The observations above might be indicative of Zimbabwean SMEs' planning behaviour where the focus is on vision, mission and objectives. There is little evidence of what happens after adopting the vision and objectives and the order of implementation.

Most SMEs might lack the capacity to craft their own strategies and end up adopting strategies from other organisations which were deemed successful. They will not consider their long term success, but focusing on issues that might extricate them from the immediate situation. A case that comes to mind is the "burning of cash" noted by Mufudza et al (2013) to address liquidity challenges in the Zimbabwean economy, which was short-lived and eventually decimated by the adoption of multiple currencies. This became a strategy of choice to most Zimbabwean in 2008.

However, Suominen and Mantere (2010) argue that it is exceptional to come across an organisation that has no plans or objectives labelled 'strategic', whether it is operating in the private, public or third sector. They further contend that strategy appears to have penetrated almost every organisation, obliging managers to follow suit and submit themselves to the principles of strategic management. What is the quality of these plans? If the plans are not of the required quality, they might produce substandard performance or a lack of enthusiasm to implement them.

Stonehouse and Pemberton (2002) confirmed the value attached to strategic planning, with more than 90% of their respondents stating that it is extremely or fairly important. However Dobbs and Hamilton (2007) argue that once such a goal has been established, the specifics allowing enterprises to achieve their growth strategy become less clear. However, every year, top management put great effort into developing strategic plans, but by the end of the year these have been shelved; often, middle and grassroots managers do not understand the strategy and are not provided with clear direction on the work they are expected to do (Dandira, 2011 and Chen et al, 2008). Having a vision in itself does not guarantee success since other pre-implementation protocols might be totally overlooked even though they are critical to strategy implementation such as variables of strategy and structure.

The very survival of SMEs is thus under threat and they need to strategise to counter environmental challenges and increased competition. O'Regan and Ghobadian (2006) argue that the approaches that SMEs take in making strategic choices need careful consideration if they are to gain or retain competitive advantage. Strategy implementation has been receiving increasingly the focus of numerous studies, particularly because the process from project formulation to project implementation is not effective and therefore not adequate in today's business organisation (Sorooshian, Norzima, Yusof and Rosnah, 2010). Sum et al (2004) conclude that the next phase of economic growth will depend on the ability of home-grown SMEs to develop into large national corporations.

3. Methodology

This was a qualitative study involving the use of multiple case study approach. Eight SMEs organisations in four Zimbabwean cities were selected for this study using convenient sampling. Organisations had less than 100 employees, having been in existence for 5 years and were showing signs of growth, were used in this study. In depth interviews were held with the owner managers for these organisations. In addition, observations and secondary document analysis were used to support the data gathered from the interviews. Data analysis was done using content analysis.

4. Findings

All eight business owners confirmed that they had a vision at the inception of their businesses; however, this was not a formal, written document. Furthermore, only two out of the eight business owners interviewed had formal, written strategic plans; these SMEs were in the highly competitive manufacturing and marketing sectors.

The vision at inception seemed to address social rather than business issues.

Respondent BYO 1 commented:

"The sole purpose of starting a business was to eventually create employment for my children and to change my life style. The driving force was my social condition as my father had Parkinson disease and my uncle went blind at age 60 years. These conditions forced me to go into business to prepare for such an eventuality."

This was further corroborated by GRU 1, who stated:

“When I started, I just saw an opportunity to make money because Sino cement manufacturing was failing to sell its product yet there was a large market for cement. An opportunity arose to sell the product. The motivation then was to make money and live a better life.”

The motivation for the entrepreneurs involved in traditional business lines like retail, transport and construction was anchored in social needs and linked to improving the personal life of the owners and their immediate families. For example, this was the case with GRU 1, GRU 2, BYO 1, and MRE 1. MRE 1 did not actually set out to establish a business, but the circumstances confronting sugar cane farmers following a government blitz to collect astronomical amounts of tax motivated them to seek out someone who could assist them. MRE 1’s business was not therefore planned, but an attempt to help someone in desperate circumstances. In this instance, a farmer had been charged US\$80 000 in taxes, plus penalties by the Zimbabwe Revenue Authority (ZIMRA). Paying such amounts would have ruined the farmers. MRE 1 prepared a proper set of accounts and the tax burden was reduced to US\$3 000. Thereafter, several other farmers approached MRE1 for assistance, resulting in the launch of an accounting consultancy.

However, the SMEs in competitive industries like advertising (HRE 1 and HRE2), manufacturing (BYO 2) and computer solutions (HRE 3) had very different visions. They tended to focus more on a business than a social vision. This related to the quality of products and solutions offered to clients; hence the client was at the centre of their activities while the other group focused on product availability. The way of thinking of the entrepreneur would influence the implementation of the vision and strategy.

Conversely HRE 2’s vision is more business specific and reads as follows:

“(to be) the leading provider of alternative media solutions. We are respected and revered by competition and clientele alike for our dynamic, innovative, progressive media and marketing solutions.”

The competitive business cluster tended to pursue closed expansion whereby they expanded in one line of business; for example, the manufacture and fitting of borehole equipment complemented by selling hardware. Those with a vision of social wellbeing tended to pursue any idea that had the potential to raise additional income, as well as safe investments like property (GRU 1, GRU 2, MRE 1 and BYO 1). They also shifted from one business idea to another. For example, GRU 1 had interests in transport, building materials, maintenance and construction and real estate management, among other activities. MRE 1 offered accounting and business advisory services, and moved into fuel retailing. Strategy implementation tended to vary according to the founding vision, with those in traditional industries pursuing anything with the potential to make money and improve their social position, while those in competitive sectors pursued one business line and sought to grow it.

Businesses adopt various approaches to strategy formulation and figure 5.1 below shows the approaches used by the SMEs studied.

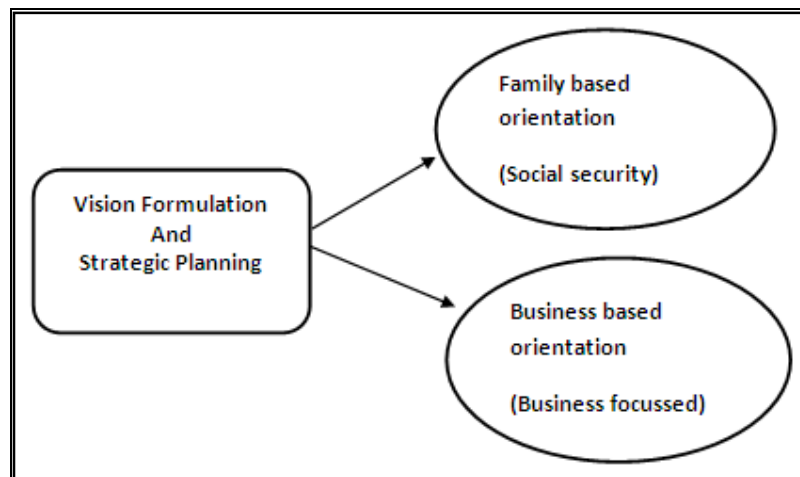


Figure 1: Vision and Strategic Planning Approaches

The vision of the traditional businesses tended to be driven by family members. There was no strategic plan; activities formed the bulk of the business strategy. For example, GRU 1 had no formal, written strategic plan. At most, an emergent strategy approach was adopted. This was said to be necessitated by the rapidly changing operating environment. Generally, the approach to starting the business was accidental rather than by design. Going into business was driven more by necessity than strategy. As long as money flowed into the business, the business owners were satisfied. This is demonstrated by the people who were hired by GRU 1 to transport cement to remote areas stealing the market.

They depended on intuition for business direction and implementation activities and as a result used business models adopted elsewhere. The business environment in Zimbabwe is changing fast, rendering business models outdated. GRU 1 only woke up to this fact when the market moved on and at that point they decided to secure their own transport to make their own deliveries, but

they had to look for new markets which were more distant than the old ones. Such SMEs tend to simply carry on with no clear focus, primarily motivated by the desire to make money. When challenges arise, they tend to lose focus and pursue several opportunities at once to the detriment of business growth.

Those with a written vision statement continued to grow in the same line of business rather than assembling a cluster of SMEs that were all struggling due to a lack of resources. The same applies to single line businesses that do not have written vision statements. While their growth is certainly stunted by a lack of resources, it is equally constrained by the slant of their vision, in terms of which they sought locations considered to be profitable. Mboko and Smith-Hunter (2009) noted that the micro and small enterprises they surveyed exhibited different growth patterns. These could be anchored in the visions that the owners have for their businesses; in the majority of SMEs surveyed, the vision was to make money in order to improve one's life style; this was confirmed by respondents GRU 1 and BYO 1.

The owner's personal goals rather the goals of the organisation drove performance. This relates to vision formulation. The visioning tended to support the business owner's preferred lifestyle rather than growth. Most SMEs owners were able to change their lifestyle and this affected the way strategies were implemented. However the vision tended to be short term which is consistent with a survivalist approach. This approach is also consistent with the economic and other changes taking place in Zimbabwe.

The ownership or source of the vision is also critical to strategy formulation and subsequent implementation. The formulation of a vision could reside in the owner or the team, i.e. the organisation. Two of the eight SMEs used the team approach to strategy formulation while the other six were convinced that the founder should provide such direction. According to MRE 1:

“Generally the owner is responsible for the strategic direction of the company which is the backbone of any business. If you do not make the strategic direction of the business then you are not likely to be successful. I have the vision of where I want to take the business. In the operating environment you have to be proactive in responding to changes. You are bound to make mistakes and you need to learn from your mistakes which speed up your learning process especially when you are new in business.”

For example, HRE 2 stated:

“The vision was already in place earlier on i.e. to be leading provider of media solutions in Zimbabwe and eventually internationally.”

On the other hand BYO 1's vision had a very different focus and prioritised the family and its welfare both in the present and the future:

“I wanted to prepare myself to be self-reliant in good health or poor health which formal employment could not provide for. Going into business was a sure way of preparing for old age disability.”

Based on this family orientation, their growth trajectory was very different from that of HRE 2 or BYO 2 (which had a business focus and planned to expand to all parts of Zimbabwe and the region) while BYO 1 tended to spread the business portfolio to ensure security rather than growth or related diversification. The former had a more aggressive approach to implementation while the latter opted for unrelated diversification. This aimed to reduce personal risk and provide for the personal security of the owner should any of the businesses in the portfolio underperform. However, subsequent to diversification, the founding business tended to struggle; this was the case with BYO 1 and GRU 1. There was a tendency to diversify too quickly without the necessary resources.

This suggests that the vision had limited success in terms of business growth with many goals still to be met, but more significantly, a lack of business focus, given the notion of pursuing any opportunity with the potential to enhance the short term financial status of the business. Profits became the driving force, to the detriment of other business activities. This approach was detrimental to long term organisational performance. A case in point was the views expressed by HRE 3 who stated:

“During the Zimbabwean dollar era we thought that we were making profits but these were wiped out and we had to build from scratch when the multi-currency regime was introduced. We needed fresh capital but this was not easy to access and we have had to rely on our own resources to grow the business. Organic growth in this environment is very slow given the business volumes and the low mark ups.”

BYO 2's business results were quite different from those of HRE 3 and confirmed that when everyone in the business is involved in planning, performance tends to improve significantly over time. BYO 2 reported:

“We are now emphasizing on business expansion and will build larger premises where our extrusion operations will be located. We have also recently established a hardware outlet in the CBD area. All the physical assets are owned by the business and these were acquired from the profits from business operations. Our profit figures are as follows:

2009	US\$75 – 100000
2010	US\$150000
2011	US\$69000
2012	projection \$200000 and breakeven for the hardware outlet”

HRE 3 was reluctant to disclose specific details about the business and did not talk with passion about the direction of the business, merely pointing out that the organisation did not have the requisite skills to put together a strategic focus or to implement the vision. The only indicator of performance was a decline in employee numbers from 20 to 17, but the owner did not link this to the business strategy. It was more a case of the owner trying to move the organisation forward. This was confirmed by the statement that democracy does not work in organisations and by the constant belittling of employees. In contrast BYO 2 used the words 'we' and 'our' many times which was not the case with the other respondents in traditional business lines. This showed a level of togetherness in trying to move the organisation forward.

Family considerations took precedence over business considerations, with some family members being detached from the business but still expected to move the organisation forward. For example, BYO 1's wife was not part of the business and the eldest sons were at college and were only involved in it during vacations. The organisations that were poorly structured lacked impetus. This is reflected in HRE3's reduction of its workforce when one of the founding directors resigned and was bought out. The owner acknowledged that the organisation lacked quality human resources; this is likely due to the fact that when the partner left, the strategic plan was abandoned. The vision left with the director who resigned, resulting in a lack of traction to go forward. In the case of BYO 1, there was only one person with intimate knowledge of the business and therefore their vision or goals carried the day. In traditional businesses, there was very little push from some owners to move the organisation forward; if there was movement it tended to be sideways.

Mboko and Smith-Hunter (2009) argued that entrepreneurs who use reactive strategy find it difficult to anticipate needs and therefore often fail to develop firms with the capacity to implement day to day operations. They added that such firms are generally panic stricken, run around a lot and have high levels of frustration. The less competent managers cite more problems and seem to have more critical issues to attend to than those who use the planning approach.

The growth in the number of outlets and employees did not translate into improved performance. The admission that profits were low was consistent with the mere replication of the original business in different geographical areas; the management systems and personnel that could have significantly improved profit were not in place. It was simply assumed that the same model would work in all geographical areas.

Those who started with a social needs vision for their business have generally opted for geographic expansion, replicating the model in different locations (GRU 2) or unrelated diversification (MRE 1- Accounting Firm and service stations; BYO 1- bookshop, cattle ranching and market gardening; GRU 1- real estate, transport and construction; GRU 2- geographical spread with six supermarket outlets in different cities). The growth is not related to the vision in any way but to what the entrepreneurs considered was capable of being profitable and in some cases the ability to generate funds to support their original business idea. This confirms Mboko and Smith-Hunter's observation that SMEs tend to run around a lot.

The business focus only evolved once operations started; this further suggests that these entrepreneurs went into business to secure their social needs rather being opportunity driven. Indeed, it seems that the majority of SMEs did not come up with original business ideas, but adopted what they observed from others and learned as they spent time in the business.

There was much running around in the case of GRU1 to secure supplies from South Africa and managing and coordinating the activities of the six outlets. The owners tended to visit the outlets when there was a crisis such as theft, rather than having a planned schedule of visits. They were rarely visited individual outlets, and they were entirely dependent on daily takings and banking. They did not have structures that all branch managers reported to; each manager reported directly, hence the overwhelming responsibilities shouldered by the owners.

Mboko and Smith-Hunter (2009) found that, at the operational level, SMEs used critical point strategy which is survivalist. In Zimbabwe, the ability to survive is critical in the environment in which businesses operate. The desire to survive, underlined by the desire to be independent, is more important to the majority of entrepreneurs than growth. This was reflected in the initial vision of the businesses under study that had firm social anchoring. The vision tended to change somewhat over time, but they are still heavily embedded in the social security framework in the mind of the entrepreneur.

The above discussion is summarised in figure 2 below:

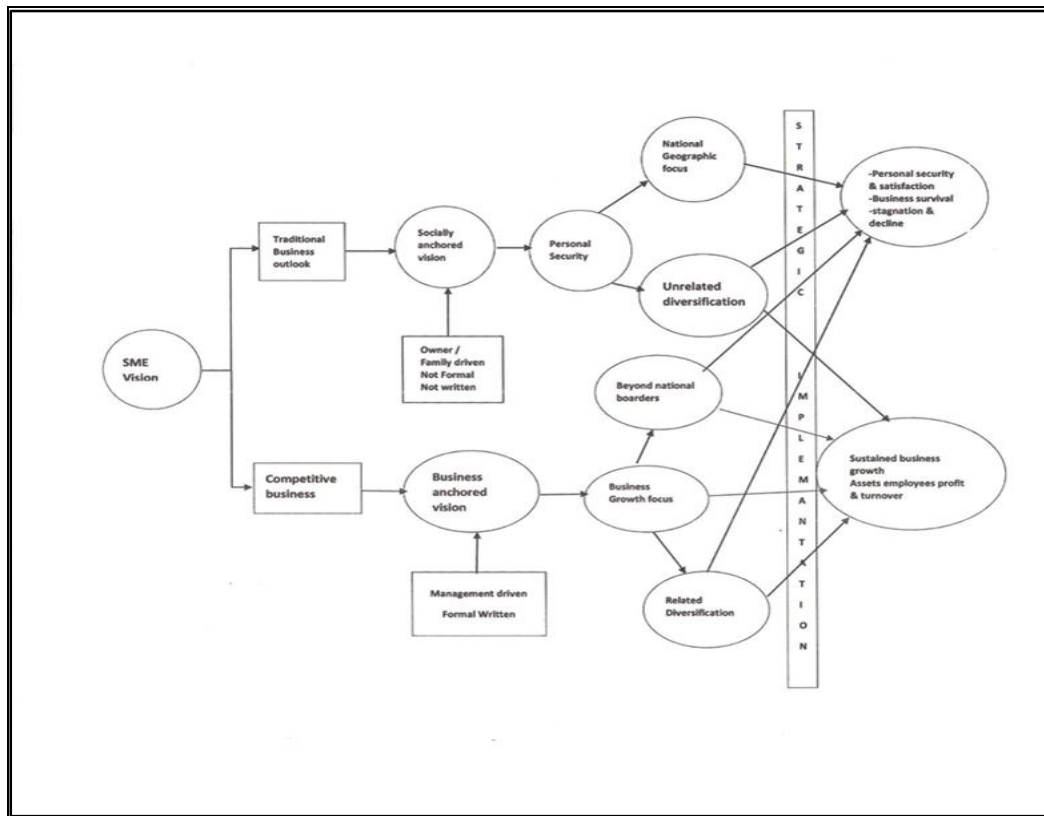


Figure 2: Planning and Implementation Matrix For SMEs in Zimbabwe

The first component of figure 2 is the vision of the SMEs; it is considered that each SME has a vision of some kind at business start-up or later in the life of the business. The vision would differ depending on whether the owner adopted a traditional business or a competitive business approach.

- The majority of Africans in Zimbabwe adopted the traditional business approach; these include retail outlets and transport among others. The competitive businesses included IT, marketing consultancy services and manufacturing.
- Traditional businesses are anchored in social visions which have to do with the welfare of the owner and/or the family hence the social visioning, while businesses in competitive sectors tended to pursue business strategies. The traditional businesses pursued a vision created by the business owner or the family and most of these were neither formal nor written. In competitive businesses, the management team was responsible for crafting the vision and this was prepared in written form to use as a reference point when implementing strategies.
- Social visioning was aimed more at social security and was induced by the economic environment or destitution, while the business focussed approach targeted growth.
- Those pursuing social growth emphasized national geographic expansion and unrelated diversification, while those with a business focus orientation pursued expansion beyond national borders and related diversification or vertical integration.
- Implementation was instrumental in achieving organisational goals and organisations differed in the approaches adopted to implement strategies. This will be elaborated on in subsequent sections.
- The results of strategy implementation were survival or growth. Survival is associated more with traditional businesses, but can also affect competitive businesses. However, competitive businesses showed strong signs of growth.

5. Conclusions and Recommendations

Traditional businesses normally adopted a social security vision which is driven by the owners or family members. The ambitions of individual entrepreneurs are limited to security and thus they seek a diversified strategy to spread the risk and investment in fixed assets that were liquidated during hard times. The principal business will thus be starved financial resources in both approaches and thereby realise limited growth. Therefore in a way the vision adopted resulted in a survival stance in the operation of the business. On the other hand entrepreneurs who adopted a business driven strategy were in competitive industries of marketing and manufacturing. Investment of resources matched their vision and in these cases the businesses realise phenomenal growth both in business coverage and profits.

It is recommended that if Zimbabwe is to experience significant economic growth, there is need to develop SMEs owners from focussing on social security driven businesses to competitive business driven vision. The business driven vision can result in sustained businesses growth.

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