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Improving the Competitiveness of the Manufacturing Sector in Zimbabwe

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Abstract:

This study explores Zimbabwe's industrial decline, and in the process attempts to answer the question - How did everything go so wrong? This study also proffers solutions. The time period of this research is 1980 to 2013.

The competitive industrial performance (CIP) index is the main tool of analysis in this research.

The overall objective of this thesis is to explore ways of how the manufacturing sector in Zimbabwe can be resuscitated and its general competitiveness improved.

Chapter One provides the introduction and puts the research into context. It provides the problem statement, defines the core theme and its theoretical context in both classical and contemporary economics. Chapter Two looks at the underlying literature available. Chapter Three deals with the research methodology applied in this study. Chapter Four goes through the adopted 12 case studies. Chapter Five looks at research findings and makes recommendations based on empirical evidence and the economic theories. In this chapter there are also general conclusions and details of the recommended model. The Thesis observes that the informal sector has grown and has been able to sustain Zimbabwe's manufacturing sector when formal structures had collapsed in the period 2000-2008. It has become dynamic and its vibrancy and self-sustaining nature can no longer be ignored as the country makes efforts to rebuild its manufacturing sector. Also, the informal sector's capital needs are affordable compared to the recapitalisation needs of the formal manufacturing sector. The informal sector is basically the Siya-so. This study has proposed an approach/model it has called the Siya-so Dynamic Model(SDM).

The SDM is a simplified but sustainable model which depicts a direct albeit a departure from the current rigid lines of commerce. This thesis, therefore, proffers the SDM as the way forward if Zimbabwe's manufacturing sector is to regain competitiveness.

Keywords: *Improving competitiveness, loss of competitiveness, Zimbabwe's manufacturing sector*

1. Introduction and Background of the Study

It is an accepted assumption that without a prosperous manufacturing sector there is no modern economy to talk of. For an economy to do well, the manufacturing sector's contribution to GDP should at least be 25%. It therefore follows, from this standpoint, that without manufacturing growth it is very unlikely that there can be sustainable national economic growth because the various potential linkages in an economy will remain unrealised. The emphasis of this study, thus, from the onset, is therefore on value addition and industrial competitiveness.

This thesis looks at Zimbabwe's industrial decline, and attempts to find explanations to the question - How did everything go so wrong? It also looks at Zimbabwe's efforts to regain its lost industrial glory and in the process some twelve companies were researched on.

At the core of any analysis of industrial growth is the issue of the competitiveness of the manufacturing sector. This is a concept which is adequately amplified by Kumral, Deger and Turkcan (2008:2009) who observed that "The common understanding is that competitive ability of a country originates in the manufacturing industry for manufacturing industry is the real part of the economy and is the prime creator of value added and jobs in many economies....At this point manufacturing industry becomes the focus of policy and research for sustainable development." It therefore follows that the revival of Zimbabwe's manufacturing sector should be based on improving its competitiveness. Manufacturing competitiveness is, thus, therefore, the theme of this thesis.

This thesis, therefore, is not only seeking to explain the country's industrial decline but, more importantly, is a search for an appropriate and sustainable growth model for Zimbabwe's manufacturing sector.

Recent industrial developments in the country have been categorised into four phases:

- Industrial growth from 1980, when the country attained political independence and had UN economic sanctions lifted, to 1990;

- The period 1990 – 2000, when industrial activity plummeted following the country's adoption of ESAP;
- The period 2000 – 2008, of consistently negative growth rates, which culminated in the wholesale collapse of the formal structures of industry as the manufacturing sector capacity utilisation levels generally fell to below 10%. This period also saw annual inflation rates reaching 236 000 000% in 2008; and
- The period after 2008, when the manufacturing sector recovered on the back of dollarization.

1.1. Statement of the Problem

Zimbabwe's manufacturing sector has since the mid 1980s been steadily losing its competitive edge. This has been a result of a variety of factors ranging from the local economic environment to Zimbabwe's external politics, both which have discouraged both domestic and foreign investment. This was compounded by the numerous cases of mismanagement, especially in state enterprises, which have gone unchecked. This has led to declining economic growth rates and the subsequent deindustrialization which occurred during the period 2000-2008, now commonly referred to as the "crisis years". This study, therefore, is primarily concerned with how to restore the competitiveness of Zimbabwe's manufacturing sector.

1.2. Purpose of the Study

The purpose of this research work is to:

- Provide a chronological analysis of how the country deindustrialised;
- Learn from, those companies that have managed to recover;
- Be able to provide framework answers, by formulating a framework that allows Zimbabwe's industries to compete by recommending an environment that is conducive to success, and also to prescribe those microeconomic policies that help the companies themselves regain competitiveness; and
- To make a distinct theoretical contribution which will be relevant to Zimbabwe's manufacturing sector circumstances.

1.3. Research Questions

The research questions of this thesis are:

- How did the manufacturing companies in Zimbabwe lose their competitiveness, thereby contributing to the overall deindustrialisation of the country?
- How can companies in Zimbabwe's manufacturing sector regain their competitiveness?
- How can the country improve the competitiveness of its manufacturing sector under the global conditions of today?

1.4. Research Objectives

There are four basic objectives of this research:

- To identify ways in which Zimbabwean companies in the manufacturing sector can regain their competitiveness;
- To identify factors which contributed towards loss of competitiveness by the manufacturing sector in Zimbabwe;
- To come up with an answer to the central research question; How can competitiveness in Zimbabwe's manufacturing sector be improved?; and
- To come up with a model on how to improve the competitiveness of Zimbabwe's manufacturing sector.

1.5 Significance of the Study

The significance of this research study is in that:

- It will provide an enterprise manager with the intellectual tools, which will be based on empirical research, to manage individual economic units from doldrums;
- It will show policy failures and successes on a micro-economic level;
- It will provide the public policy maker with an understanding of the general economic conditions in Zimbabwe and therefore assist the public policy maker to come up with a proper diagnosis of Zimbabwe's economic problems if implementation of any national policy is to be successful;
- It will provide an understanding of the globalisation phenomenon and the concept of the global value chains for the purposes of being able to understand its effects on Zimbabwe's manufacturing sector and how to respond to it for the benefit of the manufacturing sector; and
- Help in understanding of the importance of providing a macro-economic framework, a critically essential ingredient, for the success of any economic policy and consequently any economic player.

1.6. Assumptions of the Study

For competitiveness to be restored this study assumes that:

- There is a market economy which is, however, evolving within the context of a globalising environment; and that
- Foreign direct investment, which is also assumed to come with technology, is encouraged.

1.7. Scope of the Study

This study has been confined to the manufacturing sector of Zimbabwe's economy which contributes only about 15% of the country's Gross Domestic Product.

1.8. Limitations of the Study

The study only covers the textiles, heavy engineering, beverages, car assembly, tyre manufacturing, and pharmaceutical subsectors out of about 34 subsectors in the manufacturing sector. From there, the study comes up with general conclusions, recommendations and a model to restore competitiveness for the whole sector. The limitations of the study are found in the prescribed nature of the case studies. The case studies though representative in their subsectors may fall short when it comes to contribution to research hence evidently demanding further research on the subject.

1.9. Delimitations of the Study

The research has been limited to manageable levels, in terms of sample size and time frame. This is meant to limit the data collected otherwise it would be impossible to come out with coherent conclusions. Thus, the sample and time frames have been put in such a way as to make sure the study remains under control.

1.10. Organization of the Thesis

Chapter One introduces the study, looking at the background, stating the research problem, the significance of the study, the research questions and objectives, the limitations of the research, assumptions under which the research was premised and the theoretical underpinnings of the study. Chapter Two looks at the related literature utilised during the study. Chapter Three covers the research methodology which comprises of the philosophical assumptions, the design of the study, the axiological assumptions, the data collection methods and data analysis. Chapter Four is central as it reports on the findings and Chapter Five provides the theoretical and empirical answers.

2. Review of Related Literature

The literature review is based on the main themes of the thesis which are: the concept of industrial competitiveness; globalisation and its effects on the local industry; and Zimbabwe's manufacturing sector, all which are underlined by the research methodology which was employed.

2.1. Literature Utilised

Mtsetwa (2012) introduces the subject of deindustrialisation. The Confederation of Zimbabwe Industries (2011, 2012, 2013 and 2013) followed up the theme of deindustrialisation with annual updates.

Kanyenze (2012) and the UNDP (2008) looked at Zimbabwe's attempts to reindustrialise.

Kumral et al., and Porter (1980) analysed competitiveness with the cluster theory. These themes were also taken up by Stiglitz (2003) and Jepna et al. (2009).

Fleisher and Bensoussan (2007), Dicken (2007), Berger (2005), Mittelman (2000), Hymer (1976), Dunning (1980) and Sirkin and Hemerling (2008), Jesop (2008), Hirst and Thompson (1992), MMC Capital (2013), Ohmae (1990) and Albert (1991) introduce the phenomenon of globalisation, its definition and controversies surrounding its benefits and disadvantages.

Saunders et al. (2009), Bryman and Bell (2008) and Denscombe looked at the Research Methodology, articulating such issues as research design, philosophical foundations of research and primary research methods.

Leontief (1954), Smith (1917), Krugman et al. (2013), Wild and Wild (2013), Helpman and Krugman (2008) and Porter (1980) were referred to on the Theory of Comparative Advantage as Zimbabwe's possible development model.

On the possibility of using import substitution as an industrialisation route, the study used Bhadan (1971), Hill (2013) and MMC Capital (2013).

Hill (2013) and Mun (1630) were initially referred in the study when looking at protection of the domestic industry as a strategy which Zimbabwe could adopt to reindustrialise.

On special economic zones initial reference was made to The African Economic Outlook (2014) and The Economist (14th April 2015).

The cluster theory was also looked at as a possibility and reference was made to the works of Cortright (2006), Bianchi Gualtieri (1987) and Martin and Sunley (2003).

Wild and Wild (2013) and Hill (2013) were referred to on the possibility of using strategic alliances to improve competitiveness in the Zimbabwe's manufacturing sector.

Kasarda (2011) was utilised on the concept of aerotropolis as a development model.

On how this study can contribute to the advancement of business management and on theory building, Corley and Gioia (2011), Kilduff (2006), Sutton and Staw (1995) and Whetten (1990) were referred to.

BAZ-ZEPARU (2015) was referred to on Zimbabwe's informal sector.

3. Research Methodology

Saunders, Lewis and Thornhill (2009: 595), define research methodology as "The theory of how research should be undertaken, including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted." Research methodology is important because it shapes the outcome of the whole research project.

Research methodology has four components: an appropriate research design, philosophical foundations, a primary research method, and the data collection techniques.

3.1. Research Design

Saunders, et al. (2009:136) say a "...research design will be the general plan of how you will go about answering your research question(s)... It will contain clear objectives, derived from your research question(s), specify the sources from which you intend to collect data, and consider the constraints that you will inevitably have...as well as discussing ethical issues." Saunders continues by emphasising that "...it is a 'blue print' for the research. It specifies the how the key components look like, and how they will fit together, and how they will produce appropriate information to answer the research questions."

There are usually five research design types:

- Experimental design: There is usually no room for an experimental social laboratory because you cannot experiment with beings. Thus, for this study, experimental design is out of question as it is of no practical use;
- Social survey design (or cross-sectional), which researches a case and at a single point in time in order to collect a body of quantitative. Variables are constantly moving and the environment is ever changing, thus, a social survey design will only have very limited results;
- Longitudinal design, is usually applied to measure change in business (a survey sample at two different times). This is possible when looking at one or two variables but becomes wholly inadequate in social research;
- Case study design, usually involves a single organisation but can be extended to more cases and this research design is regularly linked to longitudinal design. Because of its multifaceted approach and the intensity of its interrogation, the case study design will be the main research instrument for this thesis; and the
- Comparative design, involving usually two contrasting cases will also be used extensively, especially in data analysis.

The case study method will be the primary research method in conjunction with the longitudinal design, because the analysis will span over time; and there will also be elements of the comparative design, as cases will be compared in as far as the effects of the external and internal phenomena, how they reacted to the phenomenon, and how it shaped their future thinking as far as business modelling is concerned.

3.2. Philosophical Underpinnings

Every researcher must have a philosophical foundation which will underpin the perspectives that are adopted on the research topic; shape the nature of the investigation, determine the methods and questions that are asked; specify what will be evidence; and lead to the drawing of conclusions and recommendations. The philosophical foundations of the researcher will definitely determine not only the outcome of the research but also its conduct.

In research philosophies, Denscombe says there are three main concepts; "ontological", "epistemological" and "paradigm."

- The ontological concept basically deals with the nature of social phenomenon as, according to Denscombe, anchored on two positions: that of realists, who view the social phenomena or world as an objective reality that exists independently and has measurable variables which are stable; and constructionists, who view the world as a subjective reality which only exists in the human mind;
- There is the epistemological concept, which does not look at the social world but rather looks at how the knowledge to understand reality is acquired. There are also two fundamental positions: that of positivism, which seeks to apply scientific methods to gain knowledge required under the epistemological concept (this is more similar to realists' conceptualisation). The second standpoint from epistemology is interpretivism, which wants to understand phenomena, which is similar to constructionists. The concept here is that "knowledge about reality is something that is produced, rather than being discovered."; and
- The contention that the two above philosophical concepts have serious problems when dealing with applied research. They do not exactly explain the social phenomenon. Pragmatism skirts around the ideas behind realism, constructionism, positivism and interpretivism and approaches the research problem as its starting point and takes that particular approach that works in practice. The philosophical concept of pragmatism allows for the use of different methods and different research strategies within investigations. This adopted research philosophy looks for practical solutions to specific problems hence has a special affinity with pragmatism. Pragmatism rejects realism and constructionism. It shies away from the philosophical debates that try to copy natural science on social reality: interpretive, which is basically a rejection of positivism and projects social reality as subjective; and critical realism, a rejection of positivism and interpretive. Pragmatism advises a researcher to be cautious about

claims and treat theories as tentative propositions rather than perfect and complete explanations of how things work. Pragmatists emphasise the practical function of knowledge as an instrument for adapting reality and controlling it. Pragmatism agrees with empiricism in its emphasis on the priority of experience over apriori reasoning.

A pragmatic approach will allow this researcher to have mixed methods and mixed strategies without being bogged down by the philosophical interpretations implied in any particular ontological and epistemological stance.

3.2.1. Paradigm

This relates to the problem of political or ideological bias as one goes through the research work right from formulation of the research topic to recommendations. There are said to exist two extremes of bias which Burrell and Morgan (1979) call the "sociology of regulation" and the "sociology of radical change". Each side has its own constrictions. Paradigm blends easily with pragmatism which has been adopted in this study.

3.2.2. Axiological Assumptions

This sub-topic deals with the values of a researcher. According to Heron (1996), values guide the research, choice of topic, choice of cases and even data collection techniques. This, again, is dealt with through the pragmatic approach.

3.2.3. Methodology

There are two distinct methodological approaches which are qualitative and quantitative. This study deals with the material sector of the economy hence its approach is decidedly quantitative. These are real variables.

3.3. Primary Research Method (Multiple Case Study Approach)

This will be a quantitative study anchored on the Case Study Method as the Primary Research Method. However, it will not be confined to the study of a single case but rather it will be a multiple-case study. This is basically an extension of the case study design.

The 12 companies or cases were not chosen on a random basis but each represents a key manufacturing point and also each of those companies is relevant to the current phenomena. These are companies which, before deindustrialisation, had thrived and competed on the international market. This sample offers a rich empirical foundation for testing existing theories, enriching new thinking and developing a new one.

3.4. Research Instruments

Data collection techniques are methods used to gather data for research purposes. In data collection, four research instruments were employed; questionnaires, interviews, observation and document analysis.

3.5. Data Analysis

The collected data will be subjected to trend and ratio analysis in order to come with general conclusions and inferences. Data analysis has been confined to the individual case studies before being generalised.

3.6. Pilot Study

Bell and Waters (2014: 167) say "...however pressed for time you are, do your best to give the questionnaire a trial run", as without it you have no way of knowing whether your questionnaire will succeed. This study selected 12 research economists who undertook a survey in order to test the adequacy of the questionnaire. The minimum considered for a Pilot Study is 10 (Fink 2013) though 100-200 is usually considered representative (Dilman et al.2014).

3.7. Sufficiency and Saturation

Balancing the two so as not to cloud the conclusion was done by cutting on the time periods, 2000-2008. The period was considered long enough especially as it was supplemented by the background period going back to 1980 and at times as far back as 1970.

3.8. Ethical Issues

This is very important in data collection. The participants were advised that this was a voluntary exercise from which they could opt out whenever they felt uncomfortable. Also there were no underhand methods such as subtle recording of information. Anonymity, to give the participants confidence, was assured.

3.9. Triangulation

To give reliability to the study, for each aspect of data more than one source was used.

3.10. Trustworthiness

There were no interrogation techniques used in collection rather trust was established by assuring interviewees that this was purely an academic exercise which however, had the potential to help the institutions hence the interviewee also.

4. Data Presentation, Analysis and Discussion of Findings on Improving the Competitiveness of the Manufacturing Sector in Zimbabwe

4.1. Background Information of Participants

Twelve companies have been chosen for this research. The chosen companies are in the following subsectors: the manufacture of beverages (lager beers, fizzy drinks, fruit juices and dairy beverages); edible oils and soaps; textiles; sugar refining; car batteries manufacture and stationary; heavy engineering; ferrochrome processing; manufacture of car tyres; car assembly and manufacture of pharmaceutical products.

4.2. Case Studies

Each case studied is a complete economic unit. These are old economic enterprises, with the oldest having been established in 1898 and the youngest being 18 years old. This is basically a study of key cases.

- ART Corporation is a diversified conglomerate which was founded in 1997. The company went on to list on the Zimbabwe's Stock Exchange (ZSE) in 2002. ART Corporation, after several failed attempts to reengineer, decided to look for a strategic partner who was to provide both capital and technology. Recovery and restored competitiveness are now evident but the monopoly position previously enjoyed by the ART units is now definitely a feature of the past.
- CAPS Holdings, made feeble attempts to recapitalise but bad governance, unfavourable local and external conditions have weighed down heavily on the company to an extent that chances of recovery are still clearly remote.
- Dairibord Zimbabwe Limited (DZL), has restructured and remodelled. It has cut costs and has had to increase output through toll manufacturing and is now competitive.
- David Whitehead Textiles (DWT), a company ravaged by competition from Chinese textile products and years of incompetent judicial management but is slowly coming back.
- Delta Corporation, through continuous reinvestment, regular product upgrades and consistent introduction of new products on the market has now become a near monopoly on the domestic market.
- Dunlop Zimbabwe (DZ) has buckled in the face of foreign competition and lack of capitalisation and it seems is on the road to collapse.
- Olivine Industries, which was a victim of politics and short-sightedness on the part of the shareholders and lack of capital on the part of shareholders, has now found a deep-pocketed strategic partner whose intentions are still not very clear since these new shareholders already own similar enterprise in Zimbabwe.
- Schweppes Zimbabwe Limited (SZL), has relentlessly reinvested both in equipment and in the supply chain and has become a market leader in the non-fizzy drinks market.
- Star Africa has restructured and now after recapitalisation of its flagship, Goldstars, the future still looks uncertain. There are too many ifs.
- Willowvale Mazda Motor Industry (WMMI), a motor vehicle assembly company which, as the flagship of the import substitution industrialisation (ISI) strategy, benefitted immensely under various import substitution programmes but failed to move beyond shallow import substitution hence has remained a high cost producer. The future of WMMI, which always looks to Government for political handouts, in terms of being given market space, is very uncertain. It seems destined for collapse.
- Zimbabwe Engineering Corporation, a classic example of poor corporate governance and failure to capitalise, is almost destined for collapse.
- Zimbabwe Mining & Smelting Corporation, the largest high carbon ferrochrome producer where even big dollars seem to have failed to stem the tide, largely, a result of declining international prices and high costs of production. The company is now threatened on the domestic front by the introduction of new technology from new rivals. The future is extremely uncertain.

4.3. General Economic Environment

The economic background against which this research was undertaken is an extremely challenging one. These challenges can be grouped into two broad categories, those relating strictly to the business environment and those resulting from government policy.

4.3.1. Economic Challenges

4.3.1.1. Low Liquidity Levels

The low liquidity levels prevailing in the economy have negatively affected demand in this completely dollarised but predominantly cash economy. This has led to low industrial capacity utilisation in the face of restrained demand. Low capacity

utilisation has meant that many companies are not able to realise the expected benefits of economies of scale. This means that costs have remained high making the products uncompetitive. .

4.3.1.2. Lack of Financing Capital

Manufacturing companies have been undercapitalised since the mid 1990s when the country started running huge trade deficits, a situation which was compounded by the then increasingly acrimonious relationship with the donor community at the sunset of the ESAP programme. At the beginning of the dollarisation period, in 2009, many companies immediately went bankrupt as Zim dollar balances, that they had accumulated, went up in smoke overnight hence they had to borrow, an exercise that the banks were only too ready to indulge in. This recapitalisation, though it ballooned company debts, did however, not go far enough as the money they borrowed was mostly used to retire previous expensive borrowings without going for the modernisation of core operations. Between the years 2009 and 2012, there has been very little actual reinvestment.

4.3.1.3. Technological Backwardness

The technological backwardness in the country's manufacturing sector, a result of lack of financing capital, makes Zimbabwe's manufactured products uncompetitive. Old technology found in the factories, some of it dating to as far back to the early 1950s, is slow, uses more energy per unit output and is more labour intensive.

4.3.1.4. Regional tariffs

Zimbabwe has six bilateral Preferential Trade Agreements (PTAs) and over 40 bilateral trade agreements under the Most Favoured Nation (MFN) status. It is currently involved in efforts to establish a tripartite free-trade area covering the Common Market for Eastern and Southern Africa (COMESA), and the East African Community and the Southern African Development Community (SADC). The country has also ratified the Interim Economic Partnership Agreement (IEPA) with the EU under which it will liberalise 80% of its imports from the Eurozone by 2022, with 45% supposed to have been liberalised by 2012, with the remaining 35%, progressively, by 2022.

4.3.1.5. Unfavorable Import Tariff Structure

Zimbabwe's tariff regime, which has a tendency of taxing imported raw materials but zero-rating finished goods, has seriously disadvantaged local industries.

4.3.1.6. Raw Material Shortages

The dislocation in the agriculture sector, which resulted from Zimbabwe's land reform exercise, deprived the manufacturing sector of sources of raw materials especially when one considers the linkages which have always existed between the two sectors.

4.3.1.7. Non-Existent Market Research Policies at Company Level

Inadequate knowledge of export markets which leads to failure to penetrate those markets. This is a shortcoming which has seen Zimbabwe's manufactured exports remaining at 15% of total turnover – CZI figures (2012).

4.3.1.8 *Unreliable power supplies and high tariffs*

Zimbabwe Electricity Supply Authority uses a what they term the revenue requirement methodology to determine electricity tariffs, a methodology which invariably leads to high tariffs and customer discrimination. This, therefore, means that the power bills served on the consumer have no relationship to usage.

4.3.1.9. Lack of a Modern Industrial Performance Measure

To measure efficiency, and consequently competitiveness in the manufacturing sector, Zimbabwe has relied on the rate of capacity utilisation, a grossly outdated measure of industrial performance, which is computed as a percentage of installed capacity. This is a very unreliable way of measuring industrial efficiency. This measure, besides being inadequate, tends to be historical. Most countries have moved to the more sensitive and futuristic Purchasing Manager's Index (PMI) which notices economic headwinds on time.

4.3.1.10. Dilapidated Infrastructure

The extremely poor infrastructure, this includes rail, roads and water supply systems, has made the cost of manufacturing very high in Zimbabwe. In the last 33 years very little investment has been made to maintain infrastructure and almost none to modernise it. The rail system has virtually collapsed, with movement of goods from Harare to Bulawayo taking as much as 10 days, up from three days. This has led to the economy relying on the more expensive road transport, which is about 2,5 times costlier than rail.

4.3.2. Political Policy Challenges

4.3.2.1. Policy Inconsistency at Government Level

On the policy and political level, inconsistency has been more of the norm. This has deterred investments with foreign direct investments consistently below US\$500 million.

4.3.2.2. Lack of an Industrial Policy

The 2000-2012 periods have had no industrial policy and the one put in place in 2012 was never implemented.

4.3.2.3. Rigid Labour Market

Zimbabwe has a very high cost and rigid labour market where the average cost of labour as a percentage of total inputs is, in many cases, as high as 24% and at times rises even to 33%. Thus, many companies have accumulated huge salary arrears. This makes recovery for the manufacturing sector extremely difficult to accomplish.

4.3.2.4. Political Standoff with the West and Low Foreign Direct Investment (FDI)

The country, originally economically tied to the West by virtue of colonial history, has been under an economic boycott imposed by western countries, this being a result of political differences with Britain, the former colonial masters, over Zimbabwe's land reform programme. Britain has mobilised Europe and the Americas who have put various forms of economic sanctions on the country since 2000. Since then, FDIs have drastically fallen, at times reaching close to zero and in some years the figures even going negative.

There is need to note that Zimbabwe has never been a haven for FDIs since the 1970s up to the period to 1980, because the country was under international sanctions. After, even when politics had normalised, FDIs always have remained a luxury. Zimbabwe's nationalist stance has always generated caution and suspicion among the would-be investors.

4.3.3. The Role of Globalisation

The issue of competitiveness would not be complete without a discussion of the globalisation phenomenon. It is now a well documented observation and an agreed fact that the phenomenon of external competition has massively contributed to the deindustrialisation of Zimbabwe. Competition, more than any other factor, has contributed to the demise of, especially, the textile, plastics and car assembly industries. Zimbabwe's manufacturing sector was just not prepared for this phenomenon when the economy was opened in the 1980s. Thus, the story of the decline of Zimbabwe's manufacturing sector can never be adequately told without detailed mention of competition, both within the local context, and on a wider international scale, consequently, globalisation.

According to Hill (2013) globalisation has two facets. There is globalisation of markets and that of products. In Zimbabwe's manufacturing sector, the phenomenon of globalisation had the following effects, as will clearly be reflected in the case studies:

- Companies just collapsed or went informal as their market base shrunk, this was more prevalent in the textile and clothing sub-sector which was more or less completely decimated;
- Changed business models and adopted the concept of global value chains, Zimplot, Unilever Zimbabwe and Dairibord Zimbabwe going more the Dell route;
- Met competition head-on and invested in technology, the route which was taken by the likes of Delta Corporation and Schweppes Zimbabwe; and
- Failed to fight competition and sought strategic alliances like ART Corporation.

4.3.4. An Overview of Zimbabwe's Manufacturing Sector: 1980 – 2013

- 1980 to 1990: The period from 1965 to 1980, Rhodesia now Zimbabwe, was under international sanctions because of the country's 1965 Unilateral Declaration of Independence (UDI). UDI was a white racist enterprise which outlawed participation in politics by the majority blacks hence the imposition of the United Nations-led international economic sanctions. This led to the creation of an economy that was inward-looking driven by import-substitution policies which were designed to promote local manufacture and achieve self-sufficiency in major consumer goods. This is the economy which was inherited in 1980 by a majority-based government when it came in power when the new State of Zimbabwe was born.

To this narrow-based economy, the new government added egalitarian objectives which immediately led to higher public spending but for the time being economic growth remained high, averaging 4,3% per year. Manufacturing as a percentage of GDP was estimated at 20-25% during the 1980-1990 period. The high public spending and inherited exchange controls immediately led to an overvalued local currency. The manufacturing sector, as the rest of the economy, became a victim of the effects of an overvalued Zimbabwe dollar which led to ever widening balance of payments deficits, a situation which subsequently led to foreign currency and input shortages. All this had serious negative effects on the ability of Zimbabwe's manufacturing sector to grow.

- In 1990, in an attempt to starve off economic catastrophe, the country adopted Economic Structural Adjustment Programme (ESAP), which entailed cuts in subsidies and deregulation of the economy.
Deindustrialisation set in the 1990s though the phenomenon was to accelerate after 2000. In the 1990s, growth, in volume terms, was only registered in four of the 11 subsectors – during the period 1990 to 1991, in the clothing subsector which registered 25% growth, wood and furniture at 185%, non-metallic minerals growing by 15% and chemicals at 30%. As a percentage of GDP, manufacturing had fallen to 17,7% by 2000 and investment, a major determinant of industrial growth, as a ratio of GDP fell to 15% in the period 1995 to 2000.
- 2000 – 2008: The manufacturing sector continued to register negative growth rates. This was a result of the maturation of the import substitution industrialisation, an overvalued local currency, inability to grow exports, a situation which worsened as ESAP liberalised the economy thereby exposing the sector to unfair competition and the fast track land reform. This virtually cut off the FDI component and credit lines from the economy.
- 2009 – 2013: This period is usually described as one of general economic recovery. The manufacturing sector managed to turn from negative growth rates but this recovery remained shallow and unsustainable. To jump start the economy, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset).
The challenges facing ZimAsset are formidable. Actually, under the prevailing circumstances, the targets are clearly unachievable.

5. Summary, Conclusions and Recommendations

The economic environment is definitely very difficult. The traditional economic theories will need to be adapted to suit Zimbabwe's situation and the changing global environment. The research findings point out to the need for a new business-friendly environment which should be accompanied by new business models. The changed manufacturing terrain, to one dominated by the informal sector, has necessitated the need for a new model built around that new reality alongside the formal sector. Thus, the proposition of the Siya-so Dynamic Model.

5.1. Research Summary

The findings of the research survey generally mirror the widespread economic distress currently prevailing in the country's manufacturing sector. Also evident as fundamental in improving competitiveness are issues of technological backwardness and financial distress, which have become Siamese twins.

In the same research survey, based on the case studies, the country's politics has continuously cast its shadow on the performance of the economy, in particular the manufacturing sector, this being demonstrated at Olivine Industries, Dunlop Zimbabwe and WMMI.

On the other hand, issues of competent leadership are clearly demonstrated in the success of SZL and the survival of DZL. They are equally demonstrated, though in an extremely pervasive fashion, in the collapse of CAPS and ZECO. The cases of DWT and DZ show the negative effects of global competition when they are coupled with underinvestment, which, in the case of the former was compounded by the adverse effects of judicial corruption. The case studies, though there are some green shoots, are generally depressing.

The solutions to this general decline will definitely be varied and situational though the issue of the macro-economic environment which has blunted the ability of the companies to compete will be topical in any recommended approach.

5.2. Summary of Research Findings

The case studies would not be complete if they are not linked to the relevant economic theories of industrialisation as appropriate solutions are being sought. Thus, the theories of comparative advantage, import substitution industrialisation, protection, increased capacity investment, special economic zones, aerotropolis, cluster development and strategic alliances are briefly looked at vis-à-vis their relevance to Zimbabwe's manufacturing sector's attempts at regaining competitiveness. The relevance of each theory will also be looked at in the light of the case studies.

There is also a need to deal with the issue of the drivers of competitiveness.

5.3. Recommendations – A New Industrial Development Model – Siya-So Dynamic Model

5.3.1. Theory Building

The prospects for further research imply contribution to the existing body of knowledge. Thus, a new theory or some contribution to research is a must if there is to be a conclusion to this research topic – Improving the Competitiveness of the Manufacturing Sector in Zimbabwe. Any theoretical model must answer questions such as "What is theory?" and "What is a theoretical contribution?".

5.3.2. The Informal Sector

The case studies and developments in the manufacturing sector, in general, clearly indicate that the route to improving competitiveness in the manufacturing sector lies there in the development and integration of the informal sector. The informal sector has grown and has been able to sustain the economy when formal sector had virtually collapsed in the

early 2000s. The informal sector is basically the Siya-so, hence the proposed approach/model is called the Siya-so Dynamic Model (SDM).

5.3.3. The SDM Concept

The foregoing clearly indicates that there is need for more research work on the informal sector so that productivity levels are raised and linkages with the formal sector are realised, all this will raise the competitiveness of Zimbabwe's manufacturing sector. It will have to develop alongside the currently established big manufacturing concerns. The informal sector is an unrealised potential. They have their case business models and what is needed is a conducive environment which, however, can only be a product of research. Below is a possible model to follow:

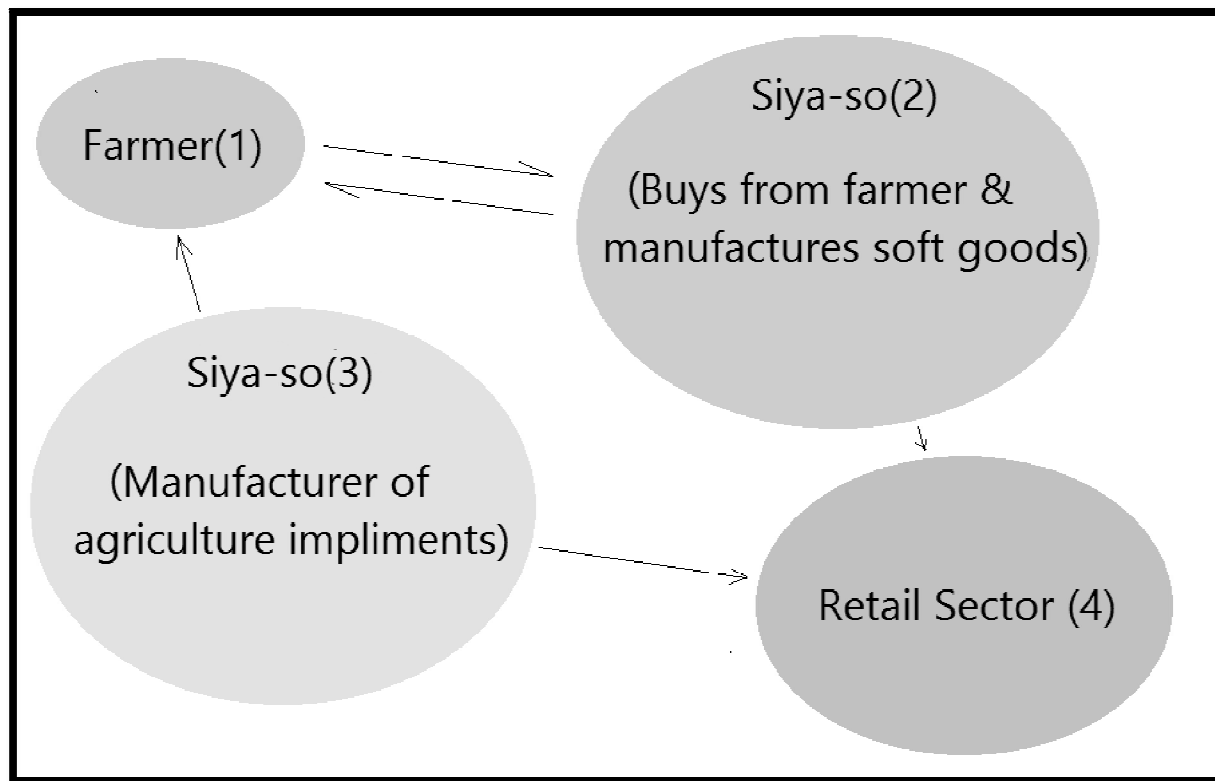


Figure 1: SDM Concept

The simplified model above is sustainable and direct, and is a departure from the current rigid lines of commerce. Farmer (1) buys from Siya-so (3) who manufactures agriculture implements. Farmer(1) sells agricultural produce to Siya-so(2) like soya bean and groundnuts who manufactures products like cooking oil and peanut butter and sells to supermarkets, Retail Sector(4) . Siya-so (2) and (3) will both outcompete the large manufacturer because of low overheads.

5.4. Further Research

The study definitely opens up insights in how to develop the manufacturing sector in Zimbabwe but remains still inadequate because sample size is smaller than what can be considered adequate and the time horizon of the survey is too short hence the SDM though incisive remains "work in progress". The need for further research, to fill in the gaps and answer all the research questions adequately, remains a must.

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