

Assessment of the Effectiveness of Strategies That Were Implemented by the Government to Revive the Manufacturing Sector in Bulawayo Metropolitan Province during the Period 2009 to 2017

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Abstract: - This research was conducted to assess the effectiveness of the strategies that were implemented by the government to revive the manufacturing sector in Bulawayo Metropolitan Province during the period 2009 to 2017. The study was prompted by the fact that Bulawayo Metropolitan Province has always been the industrial hub of Zimbabwe, but has been reduced to a ghost town, regardless of a number of strategies implemented by both the government to revive the manufacturing sector since the introduction of the use of multicurrency in 2009. The researcher used an interpretivism research philosophy because it enabled access to reality of the effectiveness of strategies implemented to revive the manufacturing sector in Bulawayo Metropolitan Province through social constructions. A qualitative research methodology was applied in order to generate a lot of data in the field where participants experienced the problem under study as well as to understand the participants' thoughts, feelings and viewpoints on the phenomenon. A multiple case study research design was used because it facilitated a holistic and in-depth assessment of the effectiveness of the strategies implemented to revive the manufacturing sectors in Bulawayo Metropolitan Province. Data was gathered using open-ended questionnaire that was administered by the researcher to 18 middle managers. In-depth interviews were conducted with 14 middle managers and 12 senior managers of manufacturing companies. A focus group discussion was conducted with 11 supervisors and general workers. The major findings of the study were that the strategies implemented to revive the manufacturing sector were not effective to revive the sector as manufacturing companies in Bulawayo continued to suffer a decrease in revenue, productivity, profitability and an increase in retrenchments during the period 2009 to 2017.

Key Terms: Multi-Currency; ZIMASSET; STERP; Statutory Instrument 64;

I. INTRODUCTION

The period 2000 to 2008 saw Zimbabwe experiencing an economic crisis that resulted in the collapse of the manufacturing, mining and agricultural sectors. To address deindustrialisation of the manufacturing sector, the government of Zimbabwe implemented a number of strategies including the adoption of the multicurrency, Short Term Emergency Recovery Programme (STERP 1 and 2),

Statutory Instrument 64 and ZIMASSET during the period of 2009 to 2017 (Noko, 2009; Sibanda and Makwata, 2017). The decision stabilised most sectors in the country but did little to ameliorate the run down manufacturing sector in Bulawayo which used to be the country's industrial hub (Nota and Sakupwanya, 2012). At its height, Bulawayo industries alone contributed 25% to the GDP (Chitemba, 2011). According to the Association of Bulawayo Businesses (2016), more than 20 000 jobs were lost in Bulawayo between 2009 and February 2017. At least 85 manufacturing firms and other industries closed down during that time span, while several others have relocated to Harare, citing difficulties in sourcing agricultural and other inputs in Bulawayo, as well as lack of markets, in the city, for finished goods (The Solidarity Peace Trust, 2011). Factories were virtually empty, and vacant shop fronts replaced functioning businesses in the shopping malls and in Bulawayo City Centre. Surprisingly, during the period 2009 to 2017, the government implemented various strategies which were meant to turnaround the performance of the manufacturing sectors in Bulawayo Metropolitan Province, but have not produced any tangible results, thereby motivating this study to assess the effectiveness of the strategies implemented to revive the manufacturing sector in Bulawayo Metropolitan Province during the period 2009 to 2017.

II. BACKGROUND TO THE STUDY

The period 2000 to 2008 saw a near total collapse of the manufacturing sector in Zimbabwe. At the end of 2008, the manufacturing sector was estimated to be operating at capacity levels below 10% due to high rate of inflation which had been affecting the country since year 2000. During the period 2009 to 2017, the manufacturing sector continued to experience deindustrialisation as capacity utilisation was still very low. In terms of the volume of output, there was a continuous decline over the period 2009 to 2017 indicating a state of deindustrialisation in the country.

A study by Karim (2009) presents that there were unprecedented pressures on manufacturing companies to improve their operational efficiency for enhanced

competitiveness and overall business performance in Zimbabwe. Damiyano et al, (2012) concurred that such pressures included competition from foreign products, rapid technological improvements, unanticipated customer shifts, and advances in manufacturing and information technology. Other challenges included, lack of international financing, liquidity crisis, ill-considered government policies, Indigenisation and Economic Empowerment Policy, working capital challenges, unfavourable tax environment, lack of foreign direct investment, high import duties, decrease in agricultural output, decrease in demand for local products and mismanagement of parastatals (Mtetwa, 2012; Mbira, 2015; Block, 2013; Noko, 2012; Makoshori, 2017). The above factors contributing to deindustrialisation of the manufacturing sector in Zimbabwe motivated this study to determine the factors which caused deindustrialisation of the manufacturing sector in Bulawayo Metropolitan Province during the period 2009 to 2017 in order to assess the effectiveness of the strategies that were implemented to revive the sector.

To survive these challenges and to benefit from the opportunities that come along with globalisation, Zimbabwean manufacturing companies, including Bulawayo Metropolitan Province, needed to become internationally competitive through improving manufacturing operational efficiency and management practice (Damiyano et al, 2012). The manufacturing industry required a strategy to improve and restore the manufacturing sector competitiveness it once enjoyed (Karim, 2009). To revive the manufacturing sector, Zimbabwe adopted a relatively unique strategy by implementing a multi-currency system in 2009 (National Budget Statement, 2009; Jefferis et al, 2013; Sai, 2014; Buigut, 2015), Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) in 2013, Statutory Instrument 64 in 2016 and STERP (Bonga, 2014; Noko, 2009; Sibanda and Makwata, 2017). The above strategies empowered managers to craft operational strategies included reducing the quality of their products, labour casualization strategies, developing syndicates, introducing payment terms, introducing low cost options, utilizing aggressive marketing strategy, breaking bulk and importing inventory with a hope of reviving manufacturing companies (Gumpo and Kaseke, 2012; Dube and Chipumbo, 2016; Karombo, 2017; Masanga and Zinyuku, 2017). During the period of 2009 to 2017, the manufacturing sector continued to experience deindustrialisation as capacity utilisation was still very low despite the adoption of strategies to revive it (Confederation of Zimbabwe Industries Survey Report, 2012). Hence, the current study sought to determine how the above strategies were implemented in Bulawayo in order to assess their effectiveness in reviving its manufacturing sector.

III. STATEMENT OF THE PROBLEM

Given the persistence of deindustrialization, countless closures and downsizing of manufacturing companies as well as challenges experienced by manufacturing companies in

local provinces in the implementation of multi-currency, STERP, Statutory Instrument 64, and ZIMASET, it is important to assess the effectiveness of the strategies implemented to revive the manufacturing sectors in Bulawayo Metropolitan Province.

IV. RESEARCH QUESTIONS

The study was guided by the following research questions:

- What were the causes of deindustrialization of the manufacturing sector in Bulawayo during the period 2009 to 2017?
- What effect did the introduction of the use of multi currents, ZIMASSET and Statutory Instrument 64 have on revenue, profitability, productivity and employment in manufacturing industry in Bulawayo during the period 2009 to 2017?
- How can effective implementation of strategies to revive the manufacturing sector in Bulawayo be achieved?

V. THEORETICAL FRAMEWORK

The study was guided by the stakeholder theory. Friedman (2006) stated that the organisation should be thought of as a grouping of stakeholders and the purpose of the organisation should be to manage their interests. Freeman (2004) defines stakeholders as, “those groups who are vital to the survival and success of the corporation.” This implies that this group of people is affected by the achievement of the organization’s objective. In order to find the optimal strategy for each group of stakeholders, Freeman (1984) suggested stakeholder behaviour and possible coalitions between stakeholder groups should be analysed. Fontaine Haarman and Schmid (2006), suggested that the stakeholder behaviour can be delineated by investigating in the past action of such kind of groups. This implies that it is necessary to analyse the actual behaviour of stakeholders, their cooperative potential and competitive threats.

Previous researchers have applied the stakeholder theory in assessing the effectiveness of the strategies that are implemented to turnaround the performance of organizations including manufacturing companies. Fontaine, Haarman and Schmid (2006) indicated that it is necessary to define who the stakeholders of an organization are for strategies to be implemented to be effective.

In the current study, it has been observed that manufacturing companies in Zimbabwe, including those in Bulawayo Metropolitan Province have opted to import their products from neighbouring countries, instead of manufacturing them locally, hence the need to find a logical explanation why they act in that way as that has the impact on the strategies that are implemented to revive the manufacturing sector in Bulawayo Metropolitan Province. Using the stakeholder theory, the researcher was able to link the obligations of employees, shareholders, customers, local community, government and other stakeholders to strategy implementation. Therefore, it

was possible to assess the effectiveness of the strategies implemented in Bulawayo Metropolitan Province by assessing the extent to which the interests of the different stakeholders of these companies were met.

VI. METHODOLOGY

The research paradigm or set of beliefs that informed the conduct and writing of this study was the Interpretivist (Creswell, 2009). Interpretivist positions are founded on the theoretical belief that reality is socially constructed and fluid (Cohen and Crabtree, 2006). Accordingly, this paradigm enabled the researcher to have an access to reality on the effectiveness of strategies implemented to revive manufacturing sector in Bulawayo Metropolitan Province during 2009 to 2017 through social constructions (Cohen and Crabtree, 2006). The knowledge acquired in this discipline was socially constructed rather than objectively determined (Black, 2006; Carson et al., 2001). This paradigm assisted the researcher to make sense of what was perceived on the effectiveness of strategies implemented to revive the manufacturing sector in Bulawayo Metropolitan Province during 2009 to 2017, by multiple participants, as reality (Prabash, 2012; Carson et al., 2001).

Basing on interpretivist paradigm, this study used qualitative research methodology. Creswell (2014) describes the qualitative research methodology as a naturalistic research approach that describes and evaluates the effectiveness of strategies implemented to revive the manufacturing sector in Bulawayo Metropolitan Province during the period 2009 to 2017 in its natural settings. This approach helped the researcher to generate data in the field at the site where participants experienced the problem under study. Qualitative research methodology allowed the researcher to understand the participants' thoughts, feelings and viewpoints on the phenomenon under the study (Creswell, 2013; Marshall and Rossman, 2011). In the natural setting, the qualitative approach assisted the researcher to have a face-to-face interaction, over a long time, with participants to generate their views and feelings regarding the effectiveness of strategies implemented to revive the manufacturing sector in Bulawayo Metropolitan Province during the period 2009 to 2017.

The current study used a multiple case study design because it facilitated a holistic and in-depth investigation of the effectiveness of the strategies implemented to revive the manufacturing sectors in Bulawayo Metropolitan Province (Creswell, 2007). Creswell, (2007) views a multiple case study as a method in which the researcher explores a bounded system (a case) or multiple bounded systems (cases) over time, through detailed and in-depth data collection procedure involving multiple sources of information. The adoption of the multiple case study design was suitable to establish the effectiveness of strategies implemented to revive manufacturing sector in Bulawayo Metropolitan Province during the period 2009 to 2017 from the participants within

the manufacturing sectors in Bulawayo Metropolitan Province. Therefore, multiple case study assisted the researcher to establish the socially constructive nature of reality on the effectiveness of strategies implemented to revive manufacturing sector in Bulawayo Metropolitan Province during 2009 to 2017 (Welman, Kruger and Mitchell, 2005).

The multiple case studies enabled the researcher to understand multiple participants in a social context by interpreting their views or experience as a single group or community, hence linking with the stakeholder theory. Moreover, multiple case study method allowed me to collect a lot of primary data using multiple techniques from multiple bounded systems (Creswell, 2014; Marshall and Rossman, 2011; Creswell, 2009). This method helped the researcher to replicate findings across multiple bounded systems or manufacturing companies in Bulawayo Metropolitan Province which revived during the period 2009 to 2017. The method helped me to explore multiple perspectives from different sectors of the manufacturing sector on the effectiveness of strategies implemented to revive manufacturing sector in Bulawayo Metropolitan Province during the period 2009 to 2017.

The study was limited to 20 manufacturing companies in Bulawayo, spread across all the sectors of the industry, with a small group of managers, supervisors and workers which is an acceptable and typical of qualitative research (Creswell, 2014; Johnson and Christensen, 2014). These participants were a small group of knowledgeable and informative people from manufacturing companies in Bulawayo Metropolitan Province which survived during the period 2009 to 2017.

The researcher purposefully selected the research participants who had an experience in the implementation of the strategies to revive the manufacturing sector in Bulawayo Metropolitan Province during the period 2009 to 2017. One of the conditions for purposive sampling was that all the participants were to be active in the manufacturing sector and also experienced in the implementation of the strategies to revive manufacturing sector in Bulawayo Metropolitan Province during the period 2009 to 2017. The researcher was the main data generation instrument to open-ended questionnaires and focus group discussions to the purposively selected manufacturing managers, supervisors and general workers from chosen manufacturing companies operating in Bulawayo Metropolitan Province that survived during the period 2009 to 2017.

The researcher distributed open-ended questionnaires to 18 middle managers of manufacturing companies in Bulawayo Metropolitan Province, conducted interviews with 12 senior managers of manufacturing companies and conducted focus group discussion with 11 supervisors and general workers of manufacturing companies operating in Bulawayo Metropolitan Province which survived during the period 2009 to 2017.

VII. FINDINGS AND DISCUSSIONS

The study revealed the following findings:

7.1 Causes of deindustrialisation of the manufacturing industry in Bulawayo

The study unearthed that the liquidity challenges that affected the country since the introduction of the use of the multi-currency in 2009 negatively affected the working capital of manufacturing companies throughout the country which caused the majority of the manufacturing companies operating in Bulawayo to cease operations. In this case, manufacturing companies were failing to finance their day to day operations to such an extent that there were severe shortages of raw materials, hence production was negatively affected.

The introduction of the use of multicurrency attracted an influx of cheap imports into the country which resulted on stiff competition to local firms operating in Bulawayo. The situation was made worse by the fact that Bulawayo is situated near Zimbabwe's major trading partners, South Africa and Botswana. In a bid to improve its liquidity problems and also trying to protect the domestic producers, the government increased import duties. The move worsened the situation for manufacturing companies in Bulawayo on that they were using outdated machinery which constantly had to be repaired while the spare parts required had to be imported. This increased the cost of production to such an extent that local manufacturing companies failed to produce products that could compete effectively with cheap imports. Meanwhile, the use of the US dollar as the dominant currency among all other currencies negatively affected manufacturing companies in Bulawayo when exporting to neighbouring countries such as South Africa and Botswana because the United States dollar is too strong a currency as compared to other currencies such that exports became too expensive. Hence, the aggregate demand for local products decreased thereby causing earnings by local manufacturing companies to dwindle.

The study revealed that inadequate supply of water and high cost of electricity was greatly contributing to the closure of manufacturing companies in Bulawayo. Shortage of water was causing the majority of manufacturing companies to operate below capacity. Meanwhile, the high cost of electricity was causing the cost of production for these companies to increase to such an extent that they were failing to compete effectively with cheap imports or to supply their products to the local market where households income was very low.

The study also revealed lack of political support as one of the major factors contributing to closure of manufacturing companies in Bulawayo. Politicians are failing to lobby for the financial support that is required to revive the manufacturing sector in Bulawayo. Foreign direct investment is required to be injected into the sector, but the political environment is not conducive to attract these investors.

Hence, lack of funding has contributed to closure of some manufacturing companies in Bulawayo, especially those that were owned by foreign investors. The introduction of the Indigenisation and Economic Empowerment Act worsened the situation as it caused the majority of foreigners to withdraw their investment from Zimbabwe which greatly affected the manufacturing sector where the majority of the companies in Bulawayo were owned by foreign investors.

The study also unveiled that manufacturing companies were closing down because they lacked funding. The banking sector was failing to unveil loans that are tailor made for the manufacturing sector. Banks unveiled short term loans that were very expensive and the blame was put on liquidity challenges that is affecting the country.

7.2 Impact of the use of multi-currency, ZIMASSET, Statutory Instrument 64 on manufacturing companies in Bulawayo during the period 2009 to 2017

The results indicate that even though the government implemented the multi-currency, ZIMASSET and Statutory Instrument 64 with an objective to revive the performance of the manufacturing sectors in Zimbabwe, the desired results were not achieved in Bulawayo. The study revealed that there was a decline in manufacturing companies' revenue, profitability and productivity during the period 2009 to 2017. The rate of unemployment in the manufacturing sector in Bulawayo increased during this period.

VIII. CONCLUSION

The study concluded that even though the government took some steps to implement strategies to revive the manufacturing sector in Bulawayo Metropolitan Province by implementing a number of strategies during the period 2009 to 2017, such strategies were not effective because the desired results were not achieved as the objectives of the different stakeholders of the companies were not met.

IX. RECOMMENDATIONS

The study recommends that the revival of the manufacturing sector in Bulawayo Metropolitan Province requires that government, financial institutions and the parastatals reform. Reforms by the government has a direct impact to parastatals and financial institutions who affects the performance of manufacturing companies. Reforms of the financial institutions and parastatals can only be achieved through reforms of the government laws and policies. Hence, reforms by the government, financial institutions and parastatals would bring about the revival of the manufacturing industrial sector.

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