Challenges Experienced on Implementing Government Strategies to Revive Manufacturing Companies in Zimbabwe during the Period 2009 to 2017

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Abstract: **The study examined the challenges that caused STERP, ZIMASSET and Statutory Instrument 64 to fail to revive the manufacturing sector in Zimbabwe during the period 2009 to 2017. An interpretivism paradigm was adopted in order to generate a lot of data in the field and from the site where participants experienced the problem. The study used a multiple case study design involving 20 manufacturing companies operating in Zimbabwe which facilitated a holistic and in-depth investigation of the challenges that affected the effectiveness of the above policies to produce tangible results. The study unearthed that the major challenges that affected STERP, ZIMASSET and Statutory Instrument 64 are the instability of the political climate, massive mismanagement of manufacturing companies, lack of qualified personnel to lead the manufacturing companies, inconsistent government policies and lack of funding to ensure the success of the policies. Hence, a holistic approach is recommended in order for the policies implemented to be effective.**

Key Words: **STERP; ZIMASSET; 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 that included the adoption of the use of multicurrency, Short Term Emergency Recovery Programme(STERP), Zimbabwe Agenda for Sustainable Socio-Economic Transformation(ZIMASSET) and Statutory Instrument 64(SI 64), during the period 2009 to 2017 (Noko, 2009, Sibanda & Makwata, 2017).

1. Background to The Study

1.1 Short Term Emergency Recovery Programme (STERP)

The inclusive government launched the STERP in 2009 as a programme for economic stabilisation and revival of the manufacturing sector (Sigauke, 2015). According to Bonga (2014), STERP was an emergency short term stabilisation programme whose key goals were to stabilise the manufacturing sector, recover the levels of savings, and promote investment and growth. STERP presented the basis for a more transformative mid-term to long term economic programme that was supposed to turn the manufacturing sector in Zimbabwe into a progressive developmental industry. The main focus of STERP included the use of the multicurrency as a legal tender to assist in the revival of the manufacturing industry in Zimbabwe.

STERP was crafted in consultation with various sectors including manufacturing sectors in order to nurture the basis of a people driven development strategy to revive the manufacturing companies in Zimbabwe (Bonga, 2014). Practically, the adopted STERP was an alternative people centred, people driven and inward looking rehabilitation strategy to revive manufacturing companies during the period 2009 to 2017.

1.2 Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET)

The Zimbabwean government adopted the policy document called ZIMASSET with an aim of reviving its manufacturing sectors and improve the economy as a whole (Bonga, 2014). According to Bonga (2014), ZIMASSET was to run from October 2013 to December 2018 with a goal of revitalizing the deindustrialised manufacturing sector. ZIMASSET was formulated by senior government officials through consultations from the various ministries, business community and private sector. This strategy projected that, through revitalisation of local manufacturing sectors, the economy would grow by an average of 7.3% and continue on an upward growth trajectory to 9.9% by 2018 (Bonga, 2014). With revitalization of manufacturing sector in mind, ZIMASSET was designed to achieve sustainable development and social equity anchored on indigenization, empowerment and employment (Bonga, 2014). Therefore, the aim of this strategy reflected the strong need to fully exploit the internal relationships and linkages that exist between the various aspects of the economy including the revival of manufacturing sectors in Zimbabwe.

ZIMASSET strategy was a necessary move to resuscitate the dying manufacturing sectors of the SMEs and create an opportunity for entrepreneurship in an injured economy. The major role of ZIMASSET strategy involved recapitalisation of Small Enterprise Development Corporations, to finance development and revitalisation of manufacturing SMEs in Zimbabwe. Manufacturing entrepreneurs were to get loans at lower interest rates and were no longer having to search for funding from banks which usually demanded collateral security which manufacturing SMEs did not have.

1.3   Statutory Instrument 64 (SI 64)

According to Murangwa and Njaya (2017), the government of Zimbabwe promulgated SI 64 of 2016 on 1 July 2016. The primary aim of the instrument was to increase domestic productivity and encourage consumption of locally produced products.

The implementation of SI 64 protected local manufacturing industries against foreign companies which had been enjoying competitive advantage owing to low production costs in their countries of origin as compared to the local macro-business environment. SI 64 listed 43 product categories that required a permit when being imported into Zimbabwe (Murangwa & Njaya, 2016). The main objective was to boost production by local manufacturing firms (Murangwa & Njaya, 2017).

II. STATEMENT OF THE PROBLEM

The government of Zimbabwe implemented STERP, ZIMASSET and SI 64 strategies to try to revive its manufacturing sectors during the period 2009 to 2017. However, these strategies failed to produce tangible results due to various challenges affecting the country. This paper sort to unearth the challenges that were encountered on implementation of STERP, ZIMASSET and SI 64.

III. RESEARCH QUESTIONS

The study was guided by the following research questions:

- What are the challenges that affected the effectiveness of STERP, ZIMASSET and Statutory Instrument 64 to revive manufacturing companies in Zimbabwe?
- How can the challenges that affected the effectiveness of STERP, ZIMASSET and Statutory Instrument 64 be addressed?

IV. REVIEW OF RELATED LITERATURE

Capacity utilization

The implementation of government strategies appears to have been facing a number of challenges which negatively affected capacity utilisation of the manufacturing companies in Zimbabwe. Table 1.1 below illustrate the trend of capacity utilization of manufacturing companies during the period 2009 to 2017:

Table 1.1: Capacity utilisation in the sector in Zimbabwe during the period 2009 to 2017

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capacity utilisation	N/A	N/A	57.2%	44.2%	39.2%	36.3%	34.3%	47.4%	45.1%

Source: Confederation of Zimbabwe Industries (2016; 2017)

The table indicates a gradual decline in capacity utilisation from 57.2% in 2011 to 45.1% in 2017. According to the Confederation of Zimbabwe Industries Survey Report (2017), capacity utilisation in non-metallic minerals subsectors, which comprises of ceramic products declined from 57.5% to 33.2%. textile, clothing and footwear subsectors were only subsectors which slightly improved their capacity utilisation from 46% to 50% in 2017 (CZI, 2017).

Raw materials

In terms of the availability of raw materials, there have been a decline in the supply of raw materials, both local and imported. Locally sourced raw materials supply declined by 8% from the second half of 2010 to the first half of 2011, despite the implementation of STERP (CZI, 2012). The period 2011 to 2016 experienced a significant decline in supply of raw materials by 18% despite the implementation of ZIMASSET (CZI, 2016). The price of raw materials increased significantly, while that of imported raw materials increased by 100% despite the implementation of SI 64 (CZI, 2018).

Employment

In terms of employment in the manufacturing sector, there has been a widespread closure of manufacturing companies which has resulted in substantial job losses in the formal sector (RBZ, 2013). According to the Employers Confederation of Zimbabwe (2013), a total of 2 376 employees were retrenched in 2012 and in 2013 respectively. The country has also witnessed an increased number of firms which have been placed under judicial management from 2010 to 2014 with a slight decrease during the period 2015 to 2016 (Master of High Court, 2015; 2016). There has been a gradual increase in manufacturing companies that have been classified as distressed companies during the period 2011 to 2014. This is summarised in Table 1.2 below:

Table 1.2: Manufacturing companies under financial distress and liquidation

Year	2010	2011	2012	2013	2014	2015	2016
Companies under judicial management	9	20	27	51	60	10	6
Companies liquidated	N/A	22	48	44	67	35	236
Distressed companies	N/A	48	94	114	128	N/A	N/A

Source: Master of High Court (2015, 2016)

According to the Reserve Bank of Zimbabwe Survey (2015), a significant number of manufacturing companies are failing to pay their staff regularly since the period 2009. Some firms

resorted to downsizing and restructuring. These actions resulted in extensive job losses in the formal sector.

V. RESEARCH GAP

Capacity utilisation in the manufacturing sector went through a declining phase despite the implementation of STERP, ZIMASSET and SI 64 (Moyo, 2017; Sibanda & Makwata, 2017). There has been a decline in supply of raw materials in the manufacturing sector during the period 2009 to 2016 (CZI 2012; 2016). The country also witnessed an increased number of firms which have been placed under judicial management from 2010 to 2014 with a slight decrease during the period 2015 to 2016 (Master of High Court, 2015; 2016). This information speaks negatively about the strategies that were implemented to revive the manufacturing sector in Zimbabwe during the period 2009 to 2017. Hence this paper sought to identify the challenges that were encountered on implementation of the strategies that were meant to revive the manufacturing sector during the period 2009 to 2017.

VI. METHODOLOGY

The research paradigm that informed the conduct 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 challenges which affected the implementation of STERP, ZIMASSET and SI 64 to revive manufacturing sector in Zimbabwe during the period 2009 to 2017 through social constructions (Cohen and Crabtree, 2006). This paradigm assisted the researcher to make sense of what was perceived as the challenges affecting the effectiveness of strategies implemented to revive the manufacturing sector in Zimbabwe during the period 2009 to 2017, by multiple participants, as reality (Prabash, 2012).

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 challenges which affected the effectiveness of strategies implemented to revive the manufacturing sector in Zimbabwe 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 challenges that affected the effectiveness of strategies implemented to revive the manufacturing sector in Zimbabwe 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 challenges that affected the success of the strategies implemented to revive the manufacturing sector in Zimbabwe (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 multiple case study approach assisted the researcher to establish the socially constructive nature of reality on the challenges which affected the strategies implemented to revive the manufacturing sector in Zimbabwe during 2009 to 2017 (Welman, Kruger and Mitchell, 2005).

Moreover, multiple case study method allowed the researcher to collect a lot of primary data using multiple techniques from multiple bounded systems (Creswell, 2014; Marshall and Rossman, 2011; Creswell, 2009). The method helped the researcher to explore multiple perspectives from different sectors of the manufacturing sector on the effectiveness of strategies implemented to revive manufacturing sector in Zimbabwe 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 Zimbabwe. 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 sectors. The researcher was the main data generation instrument to open-ended questionnaires to the purposively selected managers from the chosen manufacturing companies operating in Zimbabwe.

Data generation procedure was done through conducting of semi-structured interviews with 12 senior managers from ten different manufacturing companies in Zimbabwe. The researcher used a thematic analysis approach to analyse the data. This involved identifying patterned meaning across data set that provided an answer to the research questions being addressed.

Credibility of the data was checked in line with the findings by Trochin (2006). According to Trochin (2006), credibility creation involves establishing that the results of the study are credible from the perspective of the participants. In this study, the researcher took the preliminary analysis consisting of themes from findings back to the participants to solicit their views of the written analysis as well as indicating what was missing on the data.

VII. FINDINGS AND DISCUSSIONS

The study made the following findings with regard to the challenges experienced on implementation of strategies to revive the manufacturing sector in Zimbabwe.

Unstable political climate

Instability in the political environment in Zimbabwe led to the failure of the strategies implemented to revive the sector. Political instability in Zimbabwe increased investment risk which prompted capital flight from Zimbabwe, hence leading to the contraction of the manufacturing industry.

Mismanagement of manufacturing companies

The decline of the performance of the manufacturing sector in Zimbabwe is attributed to the failure by management to formulate long-term strategies that were aligned to the government policies that were implemented. In 2013, funds that were sourced for recapitalisation of the manufacturing sector were used to buy luxury cars and houses for company executives and directors, hence reducing the liquidity position of the companies and overall, the performance of the industry as a whole when competing against international companies.

Lack of qualified managers

Since the introduction of the use of multicurrency in Zimbabwe in 2009, manufacturing companies have been led by unqualified managers. The hyperinflation which affected the country during the period 2000 to 2008 caused qualified personnel to migrate to neighbouring countries where they are better remunerations offered, hence leaving local companies managed by unqualified personnel.

Policy inconsistency

Government policies implemented by the government are inconsistent, hence failing to revive the manufacturing sector. The government continuously shifted positions on policy implementations which created massive uncertainty within the manufacturing industry. Government policies also failed to produce good results due to having weak monitoring and evaluation systems, as well as not having any accountability over their implementation.

Lack of funding

Despite the implementation of good strategies by the government for the revival of the manufacturing sector, lack of funding to support their implementation caused them to fail to produce tangible results. Revival of the manufacturing sector required that cheap sources of finance be available to fund their operations (Mangudhla &Mambo, 2013).

Lack of entrepreneurial involvement in crafting government strategies

The government did not involve entrepreneurs in the manufacturing sector when crafting the strategies that were meant to revive their companies, hence negatively affecting the implementation of the strategies.

VIII. RECOMMENDATIONS

The study recommends the following measures to be adopted:

➤ Different political parties should work together in order to create a conducive economic environment for investment in the manufacturing sector.
➤ The corporate government code of conduct should be instituted as a statutory instrument in order to be able to prosecute managers who do not comply with its requirements.
➤ The government should set a competitive minimum salary that should be paid to managers of manufacturing companies or consider giving tax holidays to manufacturing companies that are paying competitive salaries to their managers.
➤ Government policies implemented should be consistent in order to create certainty in the manufacturing sector.
➤ The government should avail funds to the manufacturing sector in its national budget which should be directed at assisting those companies which are in financial distress.
➤ The government should involve employers when crafting and implementing strategies in the manufacturing sector.

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