IMPACT OF IMPORTS ON ZIMBABWE’S FURNITURE MANUFACTURING INDUSTRY

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A dissertation submitted in partial fulfillment of the requirements for the degree of Master of Business Administration

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DECLARATION

I, Shephard Tendai Kanyangarara, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the acknowledgements, references and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

Student’s signature ___________________________     Date________________

Supervisor’s Signature ___________________________     Date: ______________
ACKNOWLEDGEMENTS

I would like to acknowledge the contribution made by my supervisor, Mr A. Chidakwa for his supervision, direction and guidance in the completion of this dissertation. I truly appreciate his patience and understanding as I worked toward the completion of this document.

I would also like to thank my wife Jackie, and my children Munyaradzi, Tadiwanashe, and Kupakwashe for their understanding and support as I spent many hours away from home conducting this research.
This study sought to determine whether imports were negatively impacting on Zimbabwe’s furniture manufacturing industry. It also sought to establish whether these imports had an impact on employment levels and the viability of the industry. The furniture manufacturing industry was once a key export contributing sector, which capitalised heavily on the country’s abundant supply and natural advantage in timber, but had diminished its role as a currency earner due to increased competition of imported competitive furniture products. The study was carried out through the distribution of questionnaires to executives and management of firms in the furniture manufacturing industry. The target population was made up of firms in Harare and Bulawayo, where the significant furniture manufacturing firms are located, and policy makers in government and employee representative organisation.

The results of the study indicated that imports had a negative impact on the furniture manufacturing industry. It was also found that imported furniture products had resulted in increased levels of unemployment and had negatively affected productivity levels and industry viability. The study concluded by recommending strategies that may be adopted by Zimbabwean furniture manufacturing firms to counter the negative impact of imports. These included, among others, the adoption of new technologies, realistic cost projections, internal resource generation and product differentiation. Recommendations were also made for the raising of import duty levels on imported products.

Area for further study would be to evaluate those product lines that local furniture manufactures had a competitive advantage in and channel resources to the production of these products to counter the negative impact of imported products.
# TABLE OF CONTENTS

DECLARATION ..................................................................................................................... i

ACKNOWLEDGEMENTS ..................................................................................................... ii

ABSTRACT ........................................................................................................................... iii

TABLE OF CONTENTS ....................................................................................................... iv

LIST OF TABLES ................................................................................................................ vii

LIST OF FIGURES .............................................................................................................. viii

LIST OF ACRYNOMS OR ABBREVIATIONS ....................................................................... ix

CHAPTER ONE .................................................................................................................... 1

INTRODUCTION AND BACKGROUND .............................................................................. 1

1.1 INTRODUCTION ........................................................................................................... 1

1.2 BACKGROUND TO THE STUDY ................................................................................ 1

1.3 STATEMENT OF THE PROBLEM .............................................................................. 13

1.4 RESEARCH OBJECTIVES ......................................................................................... 13

1.5 RESEARCH QUESTIONS ............................................................................................ 14

1.6 RESEARCH PROPOSITION ......................................................................................... 14

1.7 JUSTIFICATION OF RESEARCH ............................................................................... 15

1.8 SCOPE OF RESEARCH .............................................................................................. 16

1.9 DISSERTATION OUTLINE ........................................................................................... 16

1.10 SUMMARY ................................................................................................................ 16

CHAPTER TWO .................................................................................................................. 17

LITERATURE REVIEW ....................................................................................................... 17

2.1 INTRODUCTION ........................................................................................................... 17

2.2 Globalization and Importation ................................................................................... 17

2.3 Importation and Total Factor Productivity ................................................................... 18
2.3.1 Determinants of Manufacturing Industry Competitiveness ............................................ 18
2.3.2 The Theory of National Competitiveness ...................................................................... 21
2.4 Importation and Employment .......................................................................................... 22
2.5 Strategies that can be adopted to counter the effect of imports ........................................ 25
2.6 Trade Liberalization .......................................................................................................... 30
2.7 Summary .............................................................................................................................. 40

CHAPTER THREE .................................................................................................................... 41
RESEARCH METHODOLOGY ................................................................................................. 41
3.1 INTRODUCTION .................................................................................................................. 41
3.2 A RECAP OF THE PROBLEM STATEMENT .................................................................... 41
3.3 A RECAP OF THE STUDY OBJECTIVES ......................................................................... 42
3.4 METHODOLOGICAL FRAMEWORK ............................................................................... 42
3.5 THE RESEARCH DESIGN ................................................................................................... 43
3.6 DATA ANALYSIS ............................................................................................................... 47
3.7 VALIDITY AND RELIABILITY ......................................................................................... 48
3.8 ETHICS AND VALUES ....................................................................................................... 49
3.9 SUMMARY ......................................................................................................................... 49

CHAPTER FOUR ....................................................................................................................... 50
RESULTS PRESENTATION ANALYSIS AND DISCUSSION .................................................. 50
4.1 INTRODUCTION .................................................................................................................. 50
4.2 RESPONSE RATE .............................................................................................................. 50
4.3 GENERAL INFORMATION ................................................................................................. 51
4.4 Impact of Furniture Imports on Zimbabwe’s Furniture Manufacturing Industry ............ 53
4.5 Financial Impact of Imports on Furniture Manufacturing Industry ................................. 56
4.6 Impact of Imports on Employment in the Furniture Manufacturing Industry .................... 62
4.7 Trade Liberalisation ........................................................................................................ 66
4.8 Competitiveness of Strategies ....................................................................................... 68
4.9 Hypothesis Testing ......................................................................................................... 71
4.9 Summary ....................................................................................................................... 73

CHAPTER FIVE ................................................................................................................ 74

CONCLUSIONS AND RECOMMENDATIONS ......................................................... 74

5.1 INTRODUCTION ........................................................................................................... 74
5.2 CONCLUSIONS ............................................................................................................ 74
5.3 Contribution and theoretical implications .................................................................... 76
5.4 Recommendations ....................................................................................................... 76
5.5 Evaluation of Recommendations .................................................................................. 77
5.6 Area of Further Study .................................................................................................. 79

REFERENCES ............................................................................................................... 80

APPENDICIES ............................................................................................................... 89
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 4.1</td>
<td>Impact of imports evident in your organisation</td>
<td>53</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Components of costs that have changed over past 5 years</td>
<td>55</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Impact of imports on employment</td>
<td>60</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Impact of trade liberalization</td>
<td>64</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Effects of opening industry to foreign competition</td>
<td>65</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Competitive Strategies</td>
<td>67</td>
</tr>
<tr>
<td>Table 4.7</td>
<td>Business Re-structuring activities</td>
<td>68</td>
</tr>
<tr>
<td>Table 4.8</td>
<td>Correlation between imports and viability</td>
<td>69</td>
</tr>
<tr>
<td>Table 4.9</td>
<td>Correlation between imports and employment</td>
<td>70</td>
</tr>
<tr>
<td>Table 4.10</td>
<td>The Effect of multi-currency on growth and imports in Zimbabwe</td>
<td>71</td>
</tr>
<tr>
<td>Table 5.1</td>
<td>SFA Model</td>
<td>77</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.1</td>
<td>Zimbabwe furniture imports</td>
<td>4</td>
</tr>
<tr>
<td>Figure 1.2</td>
<td>Zimbabwe furniture Exports</td>
<td>5</td>
</tr>
<tr>
<td>Figure 1.3</td>
<td>Porter’s Five Forces Model</td>
<td>6</td>
</tr>
<tr>
<td>Figure 2.1</td>
<td>Porter’s Diamond Model</td>
<td>27</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Level in organisation</td>
<td>50</td>
</tr>
<tr>
<td>Figure 4.2</td>
<td>Duration at the organisation</td>
<td>51</td>
</tr>
<tr>
<td>Figure 4.3</td>
<td>Feeling the impact of imports</td>
<td>52</td>
</tr>
<tr>
<td>Figure 4.4</td>
<td>Realistic projections of costs and expenditure</td>
<td>56</td>
</tr>
<tr>
<td>Figure 4.5</td>
<td>Short and long term external funding at minimum cost</td>
<td>57</td>
</tr>
<tr>
<td>Figure 4.6</td>
<td>Internal resource generation</td>
<td>58</td>
</tr>
<tr>
<td>Figure 4.7</td>
<td>Expenditure reduction</td>
<td>59</td>
</tr>
<tr>
<td>Figure 4.8</td>
<td>Employment of cheap labour</td>
<td>62</td>
</tr>
<tr>
<td>Figure 4.9</td>
<td>Employ less people per job</td>
<td>63</td>
</tr>
</tbody>
</table>
# LIST OF ACRYNOMS OR ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IMD</td>
<td>Institute of Management Development</td>
</tr>
<tr>
<td>RBZ</td>
<td>Reserve Bank of Zimbabwe</td>
</tr>
<tr>
<td>GNU</td>
<td>Government of National Unity</td>
</tr>
<tr>
<td>PESTL</td>
<td>Political, Economic, Social, Technological, Legal</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>IDP</td>
<td>Industrial Development Policy</td>
</tr>
<tr>
<td>CZI</td>
<td>Confederation of Zimbabwe Industries</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern Africa Development Community</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>TFP</td>
<td>Total Factor Productivity</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

This chapter details the background motivating this study. The background of the study outlines the structure of the furniture manufacturing industry, its major players, industrial analysis and the general competitiveness of the industry. The chapter outlines the research problem and gives the objectives of the study, the research questions, the proposition and scope of the study. The chapter then ends with a summary.

1.2 BACKGROUND TO THE STUDY

1.2.1 Background of the Manufacturing Industry

Zimbabwe’s manufacturing Industry which had seen massive growth in the years after independence has been ravished over the last 10 years and is struggling to play its part to the development of the nation. The sector which at its peak contributed 23% to Gross Domestic Product (GDP) has now gone down to levels of below 12% to GDP (Industrial Development Policy (IDP), 2012). The manufacturing sector was diversified and well integrated with the rest of the economy, exhibiting, particularly, strong linkages with agriculture, mining, construction and commerce. However, serious capital constraints limited the industry’s capacity to re-tool, leading to the country's high unemployment levels.

Declining manufacturing sector fortunes have created opportunities for the birth of, the informal sector which have become home to more than 90% of Zimbabweans, and capacity utilization in Zimbabwe’s manufacturing sector has plunged to 44.2% from
57.2% recorded in 2012 (CZI Monthly Bulletin, July 2012). This comes amid warnings by industry that a fresh crisis triggered by capital constraints was looming. Statistics show that more than 75% of local manufacturing companies will need new equipment and technology to continue to operate efficiently (CZI Manufacturing sector survey, 2012).

It is hard for the industry to survive further in view of the unfair stiff competition from cheap imports, particularly from China. The Indigenization policy, which requires foreign owned companies to cede 51% of their shares to locals, has made it increasingly difficult to attract foreign investors. Midlands Chairperson of the Confederation of Zimbabwe Industries was quoted as saying: “As CZI Midlands Chapter, we have taken note of the need to do a research on the impact of imports and the Look East policy on the performance of industries,” as industry tries to gear-up to counter the threat posed by these cheap imports.

The Government has however, acknowledged that the manufacturing industry plays an important role in the turnaround of the economy. This can only be done through the availing of resources to re-equip and retool industrial machinery and inject fresh working capital for the procurement of raw materials and other inputs in the short to medium term. It is against this background that the Ministry of Industry and Commerce has spearheaded the crafting of Zimbabwe’s Industrial Development Policy (IDP) for the period 2011 to 2015, which focuses on the development of identified strategic sectors such as the manufacturing companies, mining, agro-processing and tourism sectors in order to provide the necessary impetus for the rest of the industry to grow to pre-recession levels. Below is an overview of Zimbabwe’s furniture manufacturing industry.

1.2.2 Zimbabwe Furniture Manufacturing Industry

Zimbabwe’s furniture manufacturing industry for a long time after Independence was a key export contributing sector, which capitalised heavily on the country’s abundant supply and natural advantage in timber. According the Brenthurst Foundation, (2012)
industry research which looked at 25 Harare- and nine Bulawayo-based companies the furniture industry in Zimbabwe is really struggling, and in recent years it has diminished in its role as an active currency earner as it is currently at its lowest point of productivity. Between 2009 and 2012, for example, six factories closed, while four others are working three-day, weeks, with the sector which used to employ more than 8,000 workers in 2000, now only employing less than 2,100 workers (Brenthurst, 2012). The industry leader J.W. Wilson, established in 1958 and with a client list that includes hotels from Florida to Dubai, has downsized from three to two factories and from 950 workers in 2000 to less than 400 by mid-2012 (Brenthurst, 2012).

The local furniture manufacturing industry faces liquidity constraints and right now most of the companies are operating at below 35% capacity utilization and are using obsolete machinery. As the recession in Zimbabwe took its toll, larger formal furniture companies plunged into a viability crisis, which saw them scaling down operations or closing down and surrendering market share to the informal sector and to the imported goods market.

The reasons behind these closures include the high cost of production as a result of the erratic supply of electricity, the high cost of local debt finance, and most importantly the challenge posed by cheaper Chinese, Malaysian, Vietnamese and Indian imports. The general manager of Sterling Furnishers, Mr. Allan Jones, who is also the vice-president of the Matabeleland Chamber of Industries and also the chairman of the Matabeleland Furniture Manufacturers’ Association, said “the local furniture industry was facing severe operational challenges which were worsened by an increase in the number of furniture items being imported from the Far East. These countries use Africa as a dumping ground, and soon we will become an assembler only of Chinese furniture for the region.” (Zimtrade Furniture Bulletin, Dec 2009). Furniture imports into Zimbabwe from 2000 to 2012 are shown in figure 1.1 below.
Figure 1.1: Zimbabwe Furniture Imports. Source: ITC calculations based on UN COMTRADE statistics.

Figure 1.1 shows that the imports of finished furniture into Zimbabwe have been increasing since the year 2001. The bulk of the imports have come from South Africa, China, Malaysia, India and the United Arab Emirates. The rate of increase of imports of furniture over the last ten years (in excess of 900%), suggests a continued growing trend which in light of falling productivity on the local market is set to further negatively impact the Zimbabwean furniture manufacturing industry.

While imports of furniture products from Zimbabwe's trading partners have been steadily on the rise since 2000, the country's exports of furniture products have declined over the same period across all product ranges. Household furniture, in particular bedroom furniture and mattress exports have seen the largest decrease. Although the Zimbabwean furniture exports have been of a very high quality, the high cost of production on the local market has made Zimbabwean furniture exports less competitive on the international market. The exports of furniture from Zimbabwe since 2000 are shown in Figure 1.2.
Figure 1.2 shows that furniture exports have generally been decreasing despite the spike in 2006. Furniture exports from Zimbabwe have been traditionally into the SADC region with Zambia and South Africa accounting for about 75% of the total exports. These exports have been on a gradual decline due to decreased productivity and increased competition from Asian markets.

1.2.3 Industry Analysis

In order to effectively analyse the impact of imports on the local manufacturing industry, it is important to do an analysis of the factors that influence the industry and the competitive forces that are at play. This can best be done by looking at Michael Porter’s Five Forces model which can be used to assess the attractiveness or profit potential of different industries.

Michael Porter’s five forces model was used to analyse. This model is theoretically relevant as it can be used to both identify and understand the sources of competitive
forces in the industry. The model highlights the opportunities and threats in an organizations external environment.

**Figure 1.3: Porter 5 Forces Model**

Fig 1.3 represents Porter’s Five Forces Model which shows the forces that drive competition in any given industry. The industry structural analysis must be carried out in order to understand the fundamental characteristics underlying that industry in a bid to formulate competitive strategies within the broad base of economics and technology. According to the model, there are five factors that influence industry performance and ultimately profitability, (Porter, 2008). The five forces include Competitive Rivalry between firms, Threats of New entrants, Bargaining Power of suppliers, Bargaining Power of Buyers, and the Treat of Substitutes. These are discussed in turn.
**Competitive Rivalry between Existing Firms**

Existing manufacturing companies are competing for the small cake, with smaller informal players that have lower overheads charging sub-economic prices. In some cases these informal players are able to charge low prices because they use sub-standard material bought from cheap dealers. Zimbabwe’s informal market which is estimated to be around 50% of the population has seriously affected local furniture industry as they offer the market much cheaper priced product due to their lower overheads. Most competitors’ manufacture easy to make products and those products that need some expertise are avoided by small companies. Competition from outside has been increasing mainly because of shortage of foreign currency which has seen local companies failing to produce according to international standards.

**Threats of New Entrants**

New entrants normally come with new improved technology and this tends to force prices and consequently profits to decline (Hitt, Ireland and Hoskisson, 2001; Porter, 1980; Jain, 1993; Stoner and Freeman, 1989). The current economic environment is not conducive for new players. However, if the prevailing challenges are overcome, the possibility of new players is high. Government policy is crucial in attracting Foreign Direct Investment (FDI), as these policies will allow foreign suppliers to invest in this area if the promise of aid is fulfilled and the values of the government are respected by parties involved to give confidence to industries that are operating in the sector.

**Bargaining Power of Suppliers**

Analysis of the determinants of relative power between the producers in an industry and their suppliers is precisely analogous to analysis of the relationship between producers and their buyers. The only difference is that it is now the firms in the industry that are the buyers and the producers of inputs that are the suppliers. The key issues are the
ease with which the firms in the industry can switch between different input suppliers and the relative bargaining power of each party. Where an industry is dominated by a few suppliers, they tend to dictate prices and quality of products. This situation also arises where an industry is not a major customer of the suppliers. Supplier groups can pose serious threats of forward integration (Porter, 1980).

Suppliers of timber, board, and paint have drastically reduced their credit terms with some now demanding cash payments from furniture manufacturers. This has created a challenge of financing of production and has resulted in reduced productivity. The manufacture of furniture products on average takes 2-3 weeks from procurement to finishing of production and so manufacturers have had to reduce their production levels in order to remain viable on the back of financial constraints.

**Bargaining Power of Buyers**

Buyers can play competitors against each other in lowering prices especially where the buyers purchase large volumes compared to sales from the industry or where there is no product differentiation in the industry. They pose a serious threat of backward integration so they can demand bargaining concessions (Porter, 1980). Furniture manufacturers in Zimbabwe are at the mercy of retailers who now prefer to take stock on consignment or are demanding credit terms of between 60-90 days. This is difficult for the manufacturer who is getting supplier credit of between 14-30 days, and also only accessing bank financing for a period not exceeding 30 days. This mismatch is crippling to any manufacturer. Buyers are also comparing local prices of furniture products with those obtainable on the international market which are usually 30%-40% cheaper. This therefore, means that there is likely to be a continued growth of imported goods and thereby worsening the plight of the local furniture manufacturer.
Threat of Substitutes

Substitute products from outside the industry limit the profits that can be earned (Porter, 1980). This happens especially where the customer switching costs are low and the product is a commodity. The industry is threatened by products that are supplied from outside countries like South Africa. Since the capacity of the Zimbabwean manufacturing industry is below 35% this has created a gap for other players to come in and supply the Zimbabwean market. Foreign companies find it attractive to invest in South Africa and later enter Zimbabwe. Zimbabwe is at a considerable competitive disadvantage relative to South Africa in terms of market size, scale economies, logistics and industrial sophistication. Competitiveness has deteriorated dramatically in recent years to the point where Zimbabwe is ranked second-last in a list of 134 countries according to the UNIDO (2010) Competitive Industrial Performance rating. The furniture industry has largely been affected by these substitute products as a number of knock-down furniture kits have freely entered the local market from the region and Asia.

1.2.3.1 PESTL

The prevailing internal environment plays a major role in the direction that the industry will take. This is the external environment for which the industry or firms within the industry have no direct control over. Political and economic climates within the country have a bearing on the performance of the industry. So, it is therefore important to carry out an analysis of the prevailing environment through the use of the PESTL model, in order to appreciate the challenges faced by local furniture manufacturers.
Political

There has been relative political stability following the formation of the Government of National Unity (GNU) in 2009. However, there are still some elements of uncertainty in certain business issues which has continuously scared the international community from investing into the country. The political uncertainty coupled with the Government policies like the Indigenous Empowerment Act aimed at economically empowering people, has increased the country’s investment risk. For example, in February 2013, AoN Plc. (NYSE:AoN), announced that it was divesting from Zimbabwe after more than 64 years in response to government policies on ownership structures. (Insurance Times and Investment News South Africa). The continued perceived high political risk which has been growing since the year 2000 is likely to prompt further capital flight and this may result in further contraction of the manufacturing industry which may result in more job losses and the consequent shrinkage of Government’s revenue base.

Economic

A stable macroeconomic framework is important for private sector growth. This is especially true for the manufacturing sector, where irreversible investments combined with high uncertainty may result in firms postponing their investments until confidence in future profitability is restored (Dixit and Pindyck, 1994).

Expansion in economic activity in Zimbabwe in 2011 was underpinned by growth in mining (25.8%), agriculture 7.4%), finance and insurance (24%), distribution and tourism (10.3%) and manufacturing (3.5%). The recovery in the manufacturing sector, however, remains sluggish due to long term finance to recapitalize operations and the negative repercussions of frequent power outages (RBZ Monetary Policy Statement, January 2012). The economic crisis also eroded incomes such that the demand for low-cost, home-made household and office furniture increased. The ‘secondary’ informal
industry is now more integrated with the formal economy through supply links that cut across the value chain.

Zimbabwe’s Furniture sector could benefit from the alleviation of supply shortages that have hindered production and has affected price stability. To this end competitive prices should be used as a penetration strategy to the SADC region. More so, consumers in the SADC region prefer cheaper products because of the low income compared to International Markets, so local manufacturers will take advantage on the market created by the Free Trade Area. On the other hand, the furniture sector faces stiff competition from other furniture producers who are also in the block. On this, the local producers should seek ways to produce at a minimum cost such that that they can beat competition and also there is need for uniqueness. In light of the need of high quality products, manufacturers should strive to attain internationally recognized quality standards by improving the quality of their output to match those found in the world’s premier markets.

Social

Zimbabwean consumers who now have been exposed to world trends and styles often preferring to opt for products coming from sophisticated markets of Europe and Asia. These products include high end furniture ranges from Italy and copy-cat products from the Far East such as expensive leather suites, and television cabinets. This demand for the latest fashionable trends compounded by the fact that local manufacturers have failed to respond timeously to global changes in tastes, has seen an increased demand for imported furniture at the expense of the local product. Also, these furniture units that normally come in knock-down boxed kits prove ideal for the younger generation who live mainly in flats and do not have large accommodation space to house the bulkier and more solid local products and thus a shift from expensive high-end furniture to the cheaper imported furniture that looks trendier, but may not be as durable when compared with the locally manufactured products.
Technological

Chinese investors are bringing in all sorts of finished goods into Zimbabwe and are also invading some sectors of the manufacturing industry as they have new technologies and state-of-the-art equipment. Technology is a key – perhaps even “THE key” – component of Total Factor Productivity and an improvement in technology increases output for any given level of capital stock. Most of Zimbabwe’s furniture manufacturers have old equipment and do not have the financial resources to upgrade this equipment and so there is a real threat of new entrants coming to take over the Zimbabwean market.

Legal

Sustainable forest management can be warranted through a system of certification of timber products. At the moment, there are systems of international repute: the ISO 14000 and the Forest Stewardship Council (FSC). The FSC established in 1991 advocate’s global forest management that is sustainable from an environmental, economic and social point of view.

Timber products treated with preservatives to prevent damage by insects or damage. All wood preservatives are biocides. If a product contains a preservative, the manufacturer should contact the national pesticide regulatory authority. Legislation has been implemented for pentachlorophenol (PCP) and creosote oil. Legislation on other types of wood preservatives such as heavy-metal based is expected soon.

The Zimbabwean government at this point in time cannot impose any restriction on Chinese imports. There is however, a need to put in place some domestic policy as to stop its manufacturing industry from losing employment. These policies are such as improve training, export processing zones, which will also be a solution for promoting export, Assist firms to adjust, protect the sector from the ever increasing problem of illegal imports.
1.3 STATEMENT OF THE PROBLEM.

The Zimbabwean furniture manufacturing industry has not been immune to the effects of the increase in imports coming into the country and this has created a problem for the industry of:

i) Reduced productivity
ii) Increased unemployment
iii) Company closures
iv) Decreased contribution of the sector to GDP.

Zimbabwe’s furniture manufacturing businesses are facing competition from many fronts due to globalization and they are losing market share to external manufacturers with sometimes cheaper products being exported into Zimbabwe. Technological progress in information processing, communications and transport (ICT) is making the economic distance to shrink and international competition to appear more swiftly and more deeply.

This study therefore seeks to evaluate the impact of importation on the growth of the local furniture manufacturing firms, employment and financially.

1.4 RESEARCH OBJECTIVES

The study seeks to:

1. To determine if imports have had any impact on the Zimbabwe furniture manufacturing Industry.

2. To establish the financial impact of imports on the Zimbabwe furniture manufacturing industry.

3. To ascertain the impact of imports on employment in the furniture manufacturing industry.
4. To assess the level of growth of the furniture manufacturing industry as a result of trade liberalization and upsurge in imports since the introduction of the multi-currency regime.

5. To explore competitive strategies that Zimbabwean furniture manufacturing firms may employ to counter the effects of imports.

1.5 RESEARCH QUESTIONS

1. Have imports of furniture products had any impact on the Zimbabwe furniture manufacturing industry?

1. How much has the furniture manufacturing industry added to GDP as a result of imports?

2. Have imports had a positive or negative impact on employment levels and creation in the Zimbabwe furniture manufacturing industry?

3. What is the level of growth realised by the furniture manufacturing industry as a result of trade liberalization and upsurge in imports since 2009?

4. What strategies can Zimbabwean furniture manufacturing firms adopt to counter the effect of the impact of imports?

1.6 RESEARCH PROPOSITION

The basis of this research will be on the determination of whether imports have a negative impact on a country’s manufacturing industry and to determine whether imports have had a negative impact on the Zimbabwe furniture manufacturing industry.
1.7 JUSTIFICATION OF RESEARCH

There are a number of studies that have been carried out on the impact of imports on the manufacturing industry, (Haigan, 2000; Hasan 2001; Biyase and Bonga-Bonga, 2005). All of these studies mainly focused on the problems facing powerful Western and BRIC countries as a result of the emergence of China as a global powerhouse, with very little research being done on the impact these imports have had on the economies of various developing countries and especially their impact in the manufacturing industry. There is thus a need to research the impact that global exports from China and larger developed countries have had on smaller developing nations. This study seeks to examine the impact that imports have had on Zimbabwe’s furniture manufacturing industry. The study has also been influenced by the present economic climate prevailing in Zimbabwe and the decline of the country’s furniture manufacturing industry due to the influx of competitive imports from abroad.

Therefore this study will contribute to the:

1. Understanding of the impact of imports on the Zimbabwe furniture manufacturing industry.
2. Address the factors that have created the opportunity for increased furniture imports into the local market.
3. Look at how effective the county’s protectionist policy has assisted in reducing the impact of imports into Zimbabwe’s furniture manufacturing industry.
4. Recommend strategies that Zimbabwean furniture manufactures may adopt to counter the effects of imports.
1.8 SCOPE OF RESEARCH
Zimbabwe’s furniture manufacturing industry is centred in the capital city of Harare, with a few notable players in its second largest city of Bulawayo. Raw material supplies of soft timber come mostly from the county’s Eastern areas of Nyanga and Chimanimani while hard wood supplies are mostly from the lupine area of Matabeleland. However, only timber processing is prevalent in these areas with most furniture manufacturing taking place in Harare and Bulawayo. This research will therefore, look principally at those furniture manufacturing firms in Harare and then address the concerns of a limited number of Bulawayo firms who are regarded as significant contributors to the industry.

1.9 DISSERTATION OUTLINE
This dissertation is made up of five chapters. Chapter one introduces the dissertation looking at the background building to the case of the study. Chapter two focuses on literature review guided by the objectives of the study. Chapter three focuses on the methodology of the study addressing issues like research design, sampling framework and data analysis strategies. Chapter four focuses on data presentation and data analysis accompanied by discussion. Chapter five provides the research conclusions and recommendations.

1.10 SUMMARY
This chapter introduced the study and gave a background to the management problem. It highlighted the research problem and came up with a justified research proposition and research objectives. These objectives will then pave the way for researching literature that supports the proposition and attempts to answer the research questions.
CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION
The purpose of this literature review is to convey to the reader the knowledge and ideas that have been established on a topic using a guiding concept, and also to give their strengths and weaknesses (http://www.utoronto.ca/writing/litrev.html). Literature review gives a critical analysis of a segment of published body of knowledge through summary, classification and comparison of prior researches, reviews of literature and theoretical articles. Brightwell and Shaw (2008) argue that the goal of literature review is to evaluate and show the relationship between the work that has been done and the current study. These authors seem to agree that literature review helps to gather and analyze the facts about a particular topic or problem based on what has been studied before and suggest possible answers to a problem. This chapter reviews literature that supports the study and looks at how imports have impacted other countries and industries around the world. It also looks at literature that shows how imports have affected employment, productivity and viability.

2.2 Globalization and Importation
There are some economists who are of the view that trade liberalization will benefit developing countries by increasing their export and employment and forcing domestic industries to improve efficiency through increased competition. Chang (2002) remarks that trade economists have long known that a country opening up to trade will specialize in certain sectors, putting resources into producing goods and services that are more efficient, and abandoning those that are relatively inefficient. As a result some countries like China have become major clothing and textiles exporters as they have a comparative advantage in the production of these goods. China is able to produce these
goods at a relatively lower cost than other countries (Shafaeddin, 2002). This is because China has a significantly lower cost of labour than most, if not all, its trading partners because of its huge pool of labour and low wage rate.

In general, the effect on productivity of opening the market depends on both market structure and institutional factors. Under imperfect competition, an import-substituting domestic market shrinks as imports increase, causing investment to fall and thereby productivity to eventually fall (Tybout, 2000). This however, is in contrast to Muendler (2004) who determined that in the Brazilian manufacturing sector the effects of imports on competition were significant even though the effect of intermediate imports on labor productivity was small.

2.3 Importation and Total Factor Productivity

Increased imports of consumer products encourage domestic import-substituting firms to innovate and restructure themselves in order to compete with foreign rivals; therefore, imports enhance productive efficiency. Under perfect competition in the neoclassical model, an industry reduces factor usage in the short run when trade barriers are removed and the market is opened for imports. In the long run, however, the industry becomes more productive and competitive, and expands its investments in new technology, resulting in a rightward shift of the industry supply curve. (Haddard, deMelo & Horton, 1996).

2.3.1 Determinants of Manufacturing Industry Competitiveness

According to Porter (1998a), a nation’s productivity is a prerequisite for its competitiveness and prosperity. He further states that productivity is driven by three variables:

- Stable political and legal institutions coupled with macroeconomic stability,
- An enabling microeconomic business environment, such as infrastructure and education standards,

- The strategies and operational structures of the private sector, which determine the sophistication with which companies produce and compete.

Most developing countries do not enjoy political stability and so have weak economic policies which affect their productive capacity and efficiency. They also have weak institutions and often business strategies are driven by political agendas which are always skewed in favour the governments ideologies and not necessarily on economic principles. This in-turn makes them inefficient and highly uncompetitive.

Clark and Guy (1998), suggest that competitiveness can be determined through comparative cost of production (price factors) and equally by non-price factors such as: human resource endowment, technical skills factors such as research and development capabilities and the ability to innovate, as well as managerial and organizational factors, both internal to the firm and externally organized through relationships with other bodies, customers, suppliers, public and private research institutes, and other firms. They conclude that together these factors determine the ability of the firm to compete successfully in international markets in the face of changing technological, economic, and social environments and that export profitability and the ability of the firm to maintain its market share remain the ultimate indicators of international competitiveness.

The Institute of Management Development (IMD) expounds, the competitiveness model further to encompass a country’s integration in the global economy; its attractiveness for foreign investments and its aggressiveness in international markets; its factor endowments such as natural resources, infrastructure and education (assets and processes); and its social structure and risk taking culture(individual risk taking and social cohesiveness)
The Institute of Management Development (IMD) goes on to further break down these forces to a list of factors of competitiveness that includes Economic growth, Management practice and efficiency, Business environment, efficiency and legislation. It also includes factors such as technological infrastructure, International investment, State finance and fiscal system, institutional and social structure, as well as education and health care.

In its Global Competitiveness Report 2010, the World Economic Forum identified the main factors affecting competitiveness as the quality of macroeconomic environment, the quality of public institutions and technology.

On the other hand, Wint (1997) argued that competitiveness was internally driven and identified the following competitiveness drivers. He suggested that international benchmarking, and a focus on innovation, marketing, quality and technology enhanced competitiveness. He went further to stress the importance of human resource development, corporate leadership, and workplace transformation while ensuring effective risk management structures are in place. He argues that the development of internationally competitive enterprises depends on the ability to encourage entrepreneurs who can mobilize resources, manage risk and create a passion for the business (Wint, 2001).

This position is supported by a joint definition by the UNCTAD-UNDP Global Programme and ICTSD, drawing from Chudnovsky (2003), Chesnais (1995) and OECD (1992) who state that the essence of policy actions towards competitiveness must be directly aimed at improving the ability of firms and productive chains to innovate and incorporate technology in a way that facilitates changes in the country's trade specialization towards value-added and knowledge-intense goods and services. This, in addition to gaining effective market access and competing in their traditional exports, is essential to sustain productivity growth. Supporting of learning processes in the economy by means of improving quality and efficiency of education systems at primary, secondary and tertiary levels is regarded as fundamental. They also emphasise the importance of sustaining efforts aimed at building strong and dense fabrics of firms,
mainly SMEs, and creating conditions for linkages between domestic producers and Global Value Chains connecting the former to international trade, in order to enhance on a sustainable basis the capacity for creating better jobs and amplifying the positive impacts of trade into the internal economy.

This will ensure a contribution to the social effectiveness of economic policy in general, by means of positive actions in favour of urban informal sectors and low-productivity rural production, while mainstreaming environmental goals and criteria as crosscutting issues in all policies, to ensure sustainability in terms of the intervention of natural resources, and to enhance the opportunities for developing countries to successfully compete in world markets that increasingly demand environmental performance. All this however, has to be coordinated through trade and productive sector development policies in the whole economy, and strengthening the capacities of institutions in charge of their execution, by improving their capacities for policy design and implementation, as well as for related trade rules negotiations at international level.

2.3.2 The Theory of National Competitiveness

According to Oughton (1997), the Organization for Economic Co-operation and Development (OECD) defines National Competitiveness as: “the degree to which a country can, under free and fair market conditions, produce goods and services which meet the rest of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term”. The concept of competitiveness at the national level has also been defined to reflect “the quality of the environment for investment and increasing productivity in a climate of macroeconomic stability and integration into the international economy,” (IDB, 2001).

Porter’s (1990) theory of Competitive Advantage of Nations encompasses the influencing factors on a company’s productivity and analyses national competitiveness on the grounds that a conducive national environment helps in the development of particular profiles of resources and capabilities. Firms provide the dynamic aspects of
national competitiveness through innovation and resource upgrading and these dynamic conditions of nations so developed by firms through their innovation activities, create a national environment that influences national competitiveness (and not only natural endowments of resources).

Whilst proposing his ‘diamond model’, Porter argues that the competitive advantage of nations is determined by The strength of their factor endowments, The demand conditions (particularly in their home market), The firm’s strategies, structure and rivalry in the major industry as influenced by national institutions and The strength and rivalry in the major industry as influenced by national institutions, and the strength and diversity of the related and supporting industry.

The reasoning behind Porter’s theory is that industries in a country are internationally competitive because of very specific national conditions. The general role of the government is to influence the four determinants; it can upgrade the national attributes that will create an environment in which companies can become successful. What it cannot do is create sustainable competitive advantage: A government is not directly involved in the process in making a nation’s industry competitive. Porter (1990) supports the position that the term competitiveness of a nation makes no sense and argues that a country cannot be “competitive in all industries”. However, due to the inherent failure of markets in essential areas, Government support for firms in some contexts can prove to be an important component of the process of attaining competitiveness.

2.4 Importation and Employment

Milanovic (2002) argued that whenever any researcher becomes interested in the impact of trade on employment and wages, the matching of import data to labour data always creates a substantial problem because these statistics have differing classifications in different countries. For example, many industries are classified in their
domestic industry classification by their production process which is different from imported goods produced outside the country.

China’s entry into the World Trade Organization (WTO) was supposed to improve the U.S. trade deficit with China and create good jobs in the United States. But instead the deficit grew to $235 billion by 2006 and this growing deficit eliminated 1.8 million U.S. jobs (Scott, 2007). The world’s biggest retailer, U.S.-based Wal-Mart was responsible for $27 billion in U.S. imports from China in 2006 and 11% of the growth of the total U.S. trade deficit with China between 2001 and 2006. Wal-Mart’s trade deficit with China alone eliminated nearly 200,000 U.S. jobs in this period. The manufacturing sector and its workers were hardest hit by the growth of Wal-Mart’s imports. Wal-Mart’s increased trade deficit with China eliminated 133,000 manufacturing jobs, 68% of those jobs lost from Wal-Mart’s imports. In South Africa, for example, textile and clothing sectors suffered a great deal in the process of trade liberalization as more than 17,000 jobs were lost in a period of ten years while the volume of Chinese imports increased substantially (City Press 3 April 2011).

The Zimbabwe furniture manufacturing industry saw more than 6,000 workers losing their jobs between 2009 and 2012, as factories closed, due to increased import pressure and declining sales volumes on the local market (Brenthurst Research, 2012). Most of the highly skilled workers were absorbed into the informal sector and “home Industries in Glenview, Highfields and Mabvuku, but the majority were simply thrown onto the streets or returned to their rural homes.

2.4.2 Globalization and employment.

Montobbio and Rampa (2005) highlighted that, according to the theory of the relative comparative advantages, both trade and Foreign Direct Investment should take advantage of the abundance of labour in Developing Countries and so trigger a trend of specialization in domestic labour-intensive activities and so involve an expansion in local employment.
However, the analysis of the recent literature supports the conclusion that the employment impact of increasing trade is not necessarily positive for a developing country. In fact, when Total Factor Productivity increases in the developing countries as a consequence of globalization, the employment enhancing competitive effect has to be compared with the direct labour-saving effect of the imported technologies (Haddad and Harrison, 1993; Coe et al., 1997; Aitken and Harrison, 1999). Therefore, in a developing country, the final employment impact of increasing trade depends on the interaction between productivity growth and output growth. Moreover, in the presence of supply constraints (lack of infrastructures, scarcity of skilled labour, under investment, inefficient labour market); even in the exporting sectors productivity growth may exceed output growth, to the detriment of job creation (Cimoli & Dosi, 1995).

Spiezia (2004) studied the impact on employment of trade on the manufacturing sector. The study showed that in 21 out of 39 sampled developing countries an increase in the volume of trade resulted in an increase in employment. However, in the second group of 18 countries, increased integration produced a reduction in employment.

2.4.4 Other Effects of Globalisation

2.4.4.1 Protectionism

The World Trade Organization (WTO) has played an important role in promoting free trade in place of protectionism as members have to adhere to strict principles that encourage freer trade among nations and failure to comply with these principles will result in the WTO imposing trade sanctions on that member. The threat of WTO-authorized sanctions will be a powerful incentive for any nation to comply with the fundamental principles.

The African Development Bank (Zimbabwe Economic Review, July 2012) said the major challenge that is forcing textile firms out of the market was failure to cope with import competition. It further highlighted that “the textile sector continues to play second fiddle to cheap imports from Asia at a time when firms are heavily under-capitalized”.
Protectionist measures that were introduced through various statutory instruments under the 2012 National Budget have failed to achieve the desired effect as local firms have failed to take advantage of the protection due to under-capitalization.

For Japan, Lawrence and Weinstein found that protection was actually harmful to productivity growth, and exports did not enhance productivity whereas imports did.

### 2.4.4.2 A Cheaper alternative

Macdonald (1997) Frenkel and Peetz, (1998) concurred that the economic aspects of globalization are the most visible and important ones. Globalization enhances competitiveness, both at company level and national level, which leads company management and governments to adopt strategies designed to increase labour effectiveness in terms of productivity, quality and/or innovation.

In general, globalization involves economies that are opening up to international competition and that do not discriminate against international capital. Therefore, globalization is often accompanied by a liberalization of the markets and the privatization of productive assets. At the same time, globalization has obviously contributed to raising unemployment, increasing casual employment and weakening labour movements (Ali, 2005).

### 2.5 Strategies that can be adopted to counter the effect of imports

According to Porter (2008) competitive advantage is an advantage that a firm has over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. Porter suggested four "generic" business strategies that could be adopted in order to gain competitive advantage. The four strategies relate to the extent to which the scope of business activities are narrow versus broad and the extent to which a business seeks
to differentiate its products, these include differentiation, differentiation focus, cost leadership and cost focus.

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### 2.5.1 Development of New competitive strategies

Corporate strategies often have to be viewed from a global perspective, regardless of whether the organization imports or exports, as the management will have to look at the prevailing international business environment, as the activities of international players often affects their domestic market. Thus, it is imperative that firms develop robust information systems. Michael Porter’s Five forces model looks at why some nations and industries are more competitive than others. His Diamond model tries to identify and evaluate those factors that create national advantage.
Porter distinguishes four determinants:
1. Firm strategy, structure and rivalry
2. Related and supporting industries
3. Factor conditions
4. Demand conditions

**Figure 2.1: Porter’s Diamond Model: Dagmar Recklies, 2001**

**Factor Conditions**

This relates to the environment within the economy with regards to the factors of production, such as labor, which is relevant for competition in particular industries. These factors can be grouped into human resources (qualification level, cost of labor, commitment etc.), material resources (natural resources, vegetation, space etc.), knowledge resources, capital resources, and infrastructure. They also include factors like quality of research on universities, deregulation of labor markets, or liquidity of national stock markets.
Home Demand Conditions

The demand for domestic goods and services will influence of particular factor conditions. They will impact on the level of quality and product diversification and new product development. Porter states that a country can achieve national advantages in an industry or market segment, if home demand provides clearer and earlier signals of demand trends to domestic suppliers than to foreign competitors.

Firm Strategy, Structure, and Rivalry

Relates to the formation of firms and how they are organized and managed, and that determine the characteristics of domestic competition here, cultural aspects play an important role. These can ensure advantages and disadvantages within different industries. The structure and ownership of a firm drives the vision and objectives of the firm. For example, small family-owned firms or industries will have a uniquely different approach to systems and operations than large multinationals and listed companies. Porter argues that domestic rivalry and the search for competitive advantage within a nation can help provide organizations with bases for achieving such advantage on a more global scale.

Related and Supporting Industries

This relates to the existence, or non-existence, of internationally competitive supplying industries and supporting industries. One internationally successful industry may lead to advantages in other related or supporting industries. Competitive supplying industries will reinforce innovation and internationalization in industries at later stages in the value system. Besides suppliers, related industries are of importance. These are industries that can use and coordinate particular activities in the value chain together, or that are concerned with complementary products (e.g. hardware and software).
2.5.2 Expansion into New Markets

The only way to beat the competition is to stop trying to beat the competition but to try new strategies and venture into new markets. This is epitomized in the “Blue Ocean Strategy” propounded by Kim and Mauborgne (2006), who defined blue oceans, as untapped market space, demand creation, and the opportunity for highly profitable growth. Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set. This strategy is premised on the principle of “value innovation” which is the cornerstone of the blue ocean strategy, and instead of focusing on beating the competition, you focus on making the competition irrelevant by creating a leap in value for buyers and your company, thereby opening up for yourself new and uncontested market space (Kim & Mauborgne, 2006).

The opportunities for this sector lie mainly in accessing the South African market. But the effects of the years of hyperinflation are beginning to tell, with an urgent need for reinvestment in equipment and vehicles in order to enhance competitiveness.

2.5.3 Credit facilities

Zimbabwean Furniture Manufacturers and retailers have adopted a number of strategies to move their stock, including the introduction of hire purchase facilities and lay-by schemes. However, with improving liquidity, some shops have extended the repayment period to more than 12 months. However, many people still feel that despite the extended repayment period, their salaries cannot sustain the instalments. Before the economic crisis at the turn of the century, most furniture shops offered credit terms of up to 36 months. Furniture manufacturers and retailers need to re-introduce longer-term facilities if they are to remain in business.

2.5.4 Re-shoring
Many companies have chosen to bring some previously offshored work back to the United States, leading many to wonder whether the pace of offshoring is slowing or even beginning to reverse (Davidson, 2010). Recent case studies show that the reasons for “re-shoring” work include rising oil prices, longer shipping times, and intellectual property leakages. Another factor that has caused U.S. manufacturers to consider “re-shoring” is the convergence of wages between the United States and China. Chinese manufacturing wages have risen in recent years (a development that has been slightly magnified by a small rise in the value of the Chinese yuan), while U.S. manufacturing wages have declined. Rising Chinese wages and stagnant (and in many cases decreasing) U.S. wages have favored the location of manufacturing in the United States (Sirkin et al. 2011).

2.6 Trade Liberalization

According to Tekere (2001) neo liberal economists define trade liberalization as opening up an economy to foreign competition which is expected to lead to opportunities for local firms to grow through better access to new production technologies, inputs and managerial skills. Competition from imports leads to specialization and cleanses the economy of inefficient producers. Trade liberalization is said to enhance the welfare of consumers as consumers choose from a wide variety of better quality goods and cheaper imports. In a Christian Aid paper on Questions and Answers on trade, trade liberalization is defined as a process where a government reduces barriers to international trade and this usually includes reducing tariffs, eliminating quotas and making trade easier by reducing bureaucracy surrounding it. At times the term “trade reform” is used to refer to trade liberalization. While the term “reform” is a neutral term that means changes in policy, in practice trade reform almost always means trade liberalization. For a country to derive the benefits of trade liberalization it is required that a stable macro-economic situation through good fiscal and monetary policy be established to attract investment in response to economic reform programs. If the
government’s policies are seen as unsustainable, or there has been substantial political and policy instability in the past, investors will be reluctant to respond (Balassa, 1971).

2.6.1 Advantages of trade liberalization

Trade liberalization has impact on both the level of income and the long-run rate of growth of an economy through scale, allocation, spill over, and redundancy effects (Balassa, 1971). Scale effects are assumed to be derived from the closer integration of the country with the world market, while allocative effects arise from the resource reallocation leading to the accumulation of factors of production such as human or physical capital or research and development as a result of country specialization. For developing countries, protection that denies access to imported capital goods embodying improved technology is thought to be a particularly growth-inhibiting factor. The spill-over effect is a related effect with trade leading to the diffusion of new knowledge. Similarly, open trade leads to the reduction of unnecessary duplication of research, eliminating redundancy in research and development. (Balassa, 1971) reiterated the following advantages of adopting trade liberalization.

2.5.4.1 Allocative efficiency

Perhaps one of the most important gains from trade liberalization predicted by neoclassical models is the increase in allocative efficiency. Since trade policy has an important impact on the transmission of international price signals, lowering trade barriers will lead to a reallocation of resources to the sectors with comparative advantage. As a result, resources are used more efficiently and the welfare of the country as a whole will rise (Balassa, 1971).
2.5.4.2 X-Efficiency gain as a gain to Trade Liberalization

Another gain from trade liberalization predicted in some neoclassical studies linking trade and productivity is that lowering trade barriers can create a so-called X-efficiency gain by having a positive impact on the efforts of workers and managers in the economy. Increased foreign competition due to lower barriers has an invigorating effect similar to that of a “cold shower” and workers/managers have to raise their efforts to survive the fiercer foreign competition (Balassa, 1971).

2.5.4.3 Technological spillover effects

One important consequence of trade liberalization is the diffusion and integration of technological knowledge. Integrating world markets facilitates access to the knowledge available in other nations. Technical progress embodied in goods represents an opportunity for countries engaging in international trade to learn from trading partners. For developing countries, access to imported capital goods is perhaps the most compelling mechanism linking trade and growth. Protection policies that restrict the import of capital equipment reduce real investment and lower the rate at which physical capital accumulates. As a result, the rate of long-run growth is reduced, and if technical progress is embodied in capital goods, the negative impact of protection on growth will be magnified (Balassa, 1971).

In other literature investigating the link between growth and trade via technological spillovers, the diffusion process is modeled in two main ways. The diffusion can be a non-purposeful activity and trade simply provides economies access to a world pool of knowledge that is freely available. This approach is taken by, for instance, Feenstra (1996) and Grossman and Helpman (1990, 1991c). Another approach is to model the diffusion as a purposeful activity in which the less developed countries can imitate. Technology diffusion may occur through the imitation process, in which the follower
country carries out costly imitation of products already developed in the leader country. There could be some hazard to the imitation process if successful innovators seek patents in other (follower) countries, or if there is strong international enforcement of the relevant intellectual property rights Lucas (1988). The accumulable factor could be research and development as in Grossman and Helpman (1990), or human capital as in Lucas (1988) or physical capital as in Rebelo (1991) and Jones and Manuelli (1990).

2.6.1.4 Redundancy effects

A comprehensive trade liberalization package involves tariff reductions, exchange rate changes, reforms of investment and tax regimes, needed infrastructure, changes to labour legislation, and changes to property rights and so on. This may raise problems in terms of the public acceptance of the measures Rebe lo (1991). The redundancy effect of trade policy on growth is closely related to the characteristics of knowledge. Since knowledge is a non-rival good, opening the economy can reduce the unnecessary waste of resources devoted to research and development from a global point of view. Increased foreign competition in research and development as a result of trade liberalisation can eliminate redundancy in research across countries. Consequently, the global resources devoted to research and development will be used more effectively and the larger global stock of knowledge provides an extra boost to growth. Theoretical models in which the redundancy effect is used can be found in Grossman and Helpman (1991a) and Rivera-Batiz and Romer (1991).

2.5.4.4 Improvement in performance of institutions

While the impact of trade liberalization on institutions has not, as yet, been incorporated into economic growth theory, there has been a recent surge of interest in the basic economic institutions believed to be so important for the effective operation of a market economy. This has led economists to focus on the role of institutions in the process of
economic reform (Chalamwong and Feder, 1998). It has been argued that economic reform processes tend to lead to an improvement in performance of institutions of economic governance such as enforcement of contracts, security of property rights which form the grounding for rapid economic growth. If these basic institutions are not in place, then the expected positive response to trade reform may not appear.

2.5.4.5 Economic growth and poverty alleviation

Hoekman et al. (2001) of the World Bank set out what they see as the important issues to take account of in implementing trade liberalization as part of a strategy for alleviating poverty, especially in least developed countries. Whether intended or not, there is a presumption that trade policy can be designed to deliver economic growth in a way that benefits those living in poverty.

Duncan and Pollard (2002) set out a conceptual framework in which to think about the actions that may need to be taken to maximize the chances that trade liberalization will lead to economic growth and to ensure that the poor will be able to participate in any economic growth. The implication is that in prioritizing interventions in support of poverty reduction, we have to identify where, along the path from civil and social order to poverty reduction, the constraints lie to effective participation of people in the growth process. However, it is recognized that some changes or reforms will take a long time, and the questions arise as to what may be possible in the short run and what may be done to speed up the process of development? Trade reform is a policy that is intended to lead to a good investment response.
2.5.4.6 Improvement in the quality of goods

As a major focus of trade liberalization is to encourage exports, complementary measures will include the establishment of facilities to ensure that exports meet international standards with respect to quality, health and safety. Government in the early stages may provide these facilities but private industry should be encouraged to take over this role. Trade liberalization will often see firms in developing countries attempting to export for the first time. This is a daunting task, requiring knowledge about foreign markets and establishing marketing and distribution networks in other countries. For this reason, joint ventures with established foreign firms have often proved to be the best way to enter export activity Duncan and Pollard (2002).

2.5.4.7 Promotion of industry and employment creation

One way that trade liberalization is said to benefit a country is through the use of free trade zones or export processing zones. The demonstration effect of showing how export oriented, labour-intensive industries can generate many jobs, in contrast to protected, capital-intensive industries, has in some cases proven useful in changing the balance of political power away from the vested interests in protected industries. Some countries, such as Japan and Korea, used measures such as subsidizing credit to exporting industries to offset the costs they bear. However, providing such offsetting assistance can lead to difficulties in removing it, unless the government is in a sufficiently strong position to do so as was the case in Japan and Korea (Duncan & Pollard, 2002).

Concerns over job losses will be one of the most powerful forms of resistance to trade liberalization. Experience has shown that such concerns are often not warranted, as alternative employment opportunities become available with trade liberalization. However, the response to the trade liberalization by new and expanding activities will depend upon how well the various constraints have been handled. Even if all possible constraints have been freed up, it will still be politically useful to have some form of
social safety net in place. It must be recognized, however, that poor countries have very limited resources for welfare programs. Moreover, it is difficult to justify a social safety net targeted solely to those losing jobs due to trade liberalization. Hence, any social safety net program should be generally applicable. Still, the difficulties of targeting safety net programs must be recognized. Programs that involve self-identification (for example for the poor) appear to be best (Hoekman et al. 2001).

2.5.5 Disadvantages of trade liberalization

Lucas (1988) discussed that the estimation of the impact of trade liberalization on growth gives ambiguous results and the direction and magnitude of the impact appear to depend on the circumstances of the country. Christian Aid in a discussion paper on trade said that trade liberalization which has taken place in the last twenty years has not been beneficial to the developing countries. Rich countries through the IMF and World Bank have forced poorer countries to liberalise whilst they have maintained protectionist trade barriers themselves.

1. Maintenance of subsidies by developed countries

The poor farmers who rely on agriculture in developing countries have been forced to compete with some of the highly subsidized, most productive farmers in the world. The subsidies have also led to fall in commodity prices which meant that farmers have earned less and less each year. Privatization of an economy and opening up to external trade may not have the expected growth effects. Therefore, ensuring effective competition through government regulation of markets is another important institution. The role of the government in the economy is increasingly being seen as a facilitator of commerce, rather than being involved in economic activities. In this role its job is to lower the costs of transformation and exchange (Balassa, 1971).
2. Specialization in low tech production in developing countries

The theoretical possibility that trade liberalization might have a negative effect on economic performance has been demonstrated in various growth studies. In Lucas (1988), free trade might cause a country to shift from its steady state to become completely specialized in the low-technology goods with its short-run comparative advantage. Grossman and Helpman (1991a) also present a model of a growth-contracting impact of trade liberalization if foreign competition tends to reduce incentives to invest in research and development in the host country.

3. The case for protection of infant industry

There is no successful developed country in the past that liberalized trade in the early stages of development. They protected their infant industries until they were ready to compete. Rather than liberalization leading to development it is development that comes first and liberalization follows once countries are able to compete. It is argued by Christian Aid that globally the era of managed economies from 1950s to 1970s, is associated with higher growth rates than the era of trade liberalisations from the 1980s.

4. Unequal trading partners

Trade liberalization may not solve problems of unequal trading partners. Small cotton farmers in Zimbabwe or Mali and manufacturers of footwear have to compete on equal terms with huge and highly mechanized counterparts in developed countries. The poor farmers or manufacturers will be competed out of business. What implications will this have for development in general of the poor countries? In theory, the best option for trade policy in this case is to have restricted or prohibited
trade until the economy has gained short-run comparative advantage in the high-tech goods. Young (1991) shows that trade liberalization might cause the less developed countries to specialize in the production of “old” goods with little gains from learning by doing. Consequently, growth could be higher for less developed countries under autarky than under free trade, despite some static gains from free trade.

5. Income transfers to the developed world

Haggard and Webb (1996) conclude that a response to Rodrik’s (1994) view that trade reform is so difficult because of the large size of the income transfers to the developed world relative to the efficiency gains. In contrast to trade reform, macro-economic reform is believed to have a high ratio of efficiency gains to income transfers that result from trade liberalization. Haggard and Webb believe that the combination of these two types of reform explains the large number of successful trade liberalizations undertaken by developing countries in the 1980s. From the eight country reform programs they examined, Haggard and Webb (1996) also concluded that forms of compensation could be useful components of a reform package. They saw compensation in the form of improved health or education services, expanded social safety nets, and improved social legislation as more effective than measures such as wage increases and direct subsidies, which would make any needed fiscal adjustment so much harder.

6. High cost of trade liberalization

Integration into the world economy is associated with costly institutional reforms. Figer (2001) estimates that it would cost a typical developing country US$ 150 million to implement requirements under a WTO accession agreement. He goes on to argue that the vast majority of developing countries would be better off spending this money on other
activities with more attractive rates of return. It is argued that trade liberalization can divert financial resources, political capital from more urgent, and deserving developmental goals. Establishment of institutions necessary for good economic growth may take a long time. Recent writings also make the point that institutions appropriate to one socioeconomic situation may not be appropriate for a culturally and economically different situation. These concerns are reflected in the emphasis on the country-specific design of economic reform programs (Lucas, 1988).

7. Public acceptance of trade liberalization packages

A comprehensive trade liberalization package involves tariff reductions, exchange rate changes, reforms of investment and tax regimes, needed infrastructure, changes to labour market legislation, and changes to property rights and so on. This may, however, lead to problems in terms of the public acceptance of the measures (Lucas, 1988).

8. Poor implementation of trade liberalization measures

A major problem leading to a poor response to reforms can occur when the government in the past has proven not to be credible with respect to policy changes. Investors will be reluctant to respond to policy changes unless they are sure that the new policies will be sustained. Public education about the expected response to the reforms and public assurances that the reforms will be sustained should be helpful in overcoming resistance to the reforms and pressures to “backslide” Haggard and Webb (1996).
2.7 Summary

This chapter reviewed literature and was focused according to objectives of the study. The researcher concentrated on theories like globalization and trade liberalization and its impact to the growth of the local manufacturing firms. Literature on the national manufacturing competitiveness was also reviewed. These main theories were meant to address the aim of this research. This literature will be used to discuss research findings presented in chapter four of this study.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter discusses the research design and methodologies that were used to collect data. The chapter defines the population and sample of the study and how the research instruments were developed and administered. The justification of the methodology adopted by the study is also contained in this chapter.

3.2 A RECAP OF THE PROBLEM STATEMENT

As highlighted in the background of this study, the country’s furniture manufacturing industry is facing competition from many fronts due to globalization and they are losing market share to external manufacturers with sometimes cheaper products being exported into Zimbabwe. Technological progress in information processing, communications and transport (ICT) is making the economic distance to shrink and international competition to appear more swiftly and more deeply.

This study therefore sought to evaluate the impact of importation on the growth of the local furniture manufacturing firms, employment and financially.
3.3 A RECAP OF THE STUDY OBJECTIVES

The study looked to:

1. To determine if imports have had any impact on the Zimbabwe manufacturing industry as relates to the furniture manufacturing industry.

2. To establish the financial impact of imports on the Zimbabwe furniture manufacturing industry.

3. To ascertain the impact of imports on employment in the furniture manufacturing industry.

4. To assess the level of growth of the furniture manufacturing industry as a result of trade liberalization and upsurge in imports since the introduction of the multi-currency regime.

5. To explore competitive strategies that Zimbabwean furniture manufacturing firms may employ to counter the effects of imports.

3.4 METHODOLOGICAL FRAMEWORK

The main question for this study was around the impact of furniture imports on the Zimbabwe’s furniture manufacturing industry. The study therefore assumed that the influx of imports is negatively impacting the furniture manufacturing industry of Zimbabwe financially, employment levels and on the general growth of the industry. The researcher proposed that the improvement by the local industry on its strategies to counter the impact of imports would reduce these effects.
3.5 THE RESEARCH DESIGN

Research design can be defined as the plan, structure and strategy of investigation to obtain answers to research questions and to control variance (Salio-Bao, 2007). The whole process of researching entails the identification, sourcing, gathering and processing of data to generate information that will enable the researchers to make informed decisions, conclusions and recommendations.

3.5.1 The research approach

Punch (2002) refers to quantitative research as empirical research where the data are in the form of numbers, and qualitative research is where the data are not in the form of numbers. The positivist paradigm argues that one should be able to explain phenomena in terms of what causes the behaviour we observe. The cause and effect underpins the positivist methodology. Positivism prefers ‘working with an observable social reality and that the end product of such research can be law-like generalizations similar to those produced by the physical and natural scientists’ (Remenyi et al., 2008).

In this research, the researcher adopted a quantitative approach because of the following reasons:
- Assumed an external world determining behaviour.
- Looked for explanation, prediction, and control by dividing into parts, and isolating.
- Mechanistic processes for explaining social behaviour.
- Researcher was objective, and value-free.
- Truth had to be confined with empirical evidence.
- It is deductive.

In order to collect quantitative data, the researcher designed a structured questionnaire following the objectives of the study. The data collected through this method was
quantifiable and easy to analyze through graphical means such as pie charts, bar graphs, histograms and line graphs.

3.5.2 Research strategy

According to Saunders et al., (2010), surveys are normally used where large volumes of data are involved with quantitative methods of analysis. In this study a sample of a hundred questionnaires which is a large amount of data were used. In this study the researcher applied a survey approach where 60 furniture manufacturing companies in Harare and in Bulawayo were used. This was because these two cities are where the significant furniture manufactures are found. There are other furniture manufacturing companies in some smaller towns, but these are insignificant in terms of their contribution to the global output of the Zimbabwe furniture manufacturing industry.

3.5.3 Population and Sample

3.5.3.1 Population of the Study

Lobovtz and Hagedorn (1976) define population as the group of interest to the researcher. It is upon this group that the researcher would generalize the results of the study. The population includes all individuals whom the researcher is interested in obtaining information and making inferences. Fraenkel and Wallen (1996) state that the population can be in two categories which are the target and the accessible populations. The target population is the actual population to which the researcher would really like to generalise. However, this population is rarely available. Therefore, the population to which researcher is able to generalise is the accessible population (Fraenkel and Wallen, 1996).

The population to be studied (target population) included companies in the furniture manufacturing industry. Sekaran (2001:27) defines a population as “the entire group of people, events or things of interest that the researcher wishes to investigate.” This
research targeted Zimbabwe’s furniture manufacturing Industry as a whole. Therefore the study population was made up of 60 companies in the furniture manufacturing industry as well as the Ministry of Industry and Commerce and International trade, th Ministry of Finance and Economic Planning, and the Ministry of Youth and Indigenization, as well as worker representative organizations.

3.5.3.2 Sampling

In this study a sample size of fifty (60) furniture manufacturing companies was considered where 45 were from Harare and 15 were from Bulawayo.

Ferber (1974) defines a sample as a small part of anything designed to show the style, quality and nature of the whole. The purpose of a sample is to approximate the measurement of the whole population well enough, within acceptable limits.

According to Saunders et al. (1997), there are two ways of coming up with a sample namely:

- Probability sampling that ensures that the probability of each case being selected from the population is known and is usually equal for all cases.
- Non-probability (non-random) sampling is such that the probability of each case being selected from the total population is unknown and cannot answer questions that require statistical inferences about the population’s characteristics.

In order to select the respondents the researcher applied the following techniques:

Judgmental Sampling

The researcher attempted to draw a representative sample of the population by using judgmental selection procedure. The amount of error depends upon the degree of expertise of the person making the selection. According to Malhotra (1999:335), judgmental sampling is a form of convenience sampling in which the population
elements are purposefully selected based on the judgment of the researcher. This method was necessary as the firms which were believed to be representative of the target population had to be chosen subjectively.

Simple Random Sampling

This method ensures that each item in the entire population has an equal chance of being included in the sample. Each element of the sample has an equal chance of being selected.

Cluster Sampling

The population is divided into groups, or clusters and a random sample of clusters get selected. Cluster sampling is used when there is considerable variation within each group but the groups are essentially similar to each other (Keogh, 1999). In this study the researcher applied a combination of both probability and non-probability sampling techniques. The companies were first grouped according to their geographical location either Harare or Bulawayo. This justifies a cluster sampling technique which falls under probability where cities became clusters. The researcher also applied stratification sampling technique where the population was divided into executive and management staff just to make sure that every category received a questionnaire to respond to. The questionnaires were randomly distributed in each stratum bringing again another technique under probability. On the other hand the researcher applied a judgmental sampling technique where the researcher used his discretion to pick respondents.

3.5.4 Research Instrument

A questionnaire was circulated to these companies to complete one to Executives and another one to management. The researcher also circulated the instrument to officials from the ministries of Industry and Commerce and International trade, Indigenization, and Finance who are involved in policy formulation to also respond. The researcher also distributed the questionnaire to representatives of the Zimbabwe Furniture and Allied
Trade Union (ZFTATU) and the National Employment Council (NEC) for the Furniture Industry who play an integral part in the industry.

3.5.5 Questionnaire administration

The questionnaire was designed in such a way to enable people to choose their own responses and express their opinions. The questionnaire consisted of both open-ended and closed questions.

The questionnaire consisted of three sections. The first section collected demographic information about the respondents. This includes location, position and years of experience in the furniture manufacturing industry. The second section consisted of questions compiled according to aspects that are currently affecting the industry. The last section aimed to solicit information on how respondents think the impact of imports may be mitigated and how the industry may be revived.

The questionnaire was pretested with a chosen manufacturer to test the research instrument. A pre-test is a trial run with a group of respondents, used to find problems with the questionnaire design (Zikmund, 2003). The pre-test found that the questionnaire was generally easy to answer although it took about 20 minutes to complete which the respondent felt was too long. Thereafter the questionnaire was modified accordingly and sent out to the respondents.

3.6 DATA ANALYSIS

For the purpose of this research study, a qualitative data analysis was carried out. Data analysis is a process of inspecting, cleaning, transforming, and modelling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making. Once the questionnaires are picked they were screened for anomalies.
The data was processed by using a statistical package Statistical Package for Social Sciences (SPSS). The techniques that were applied for data analysis included item analysis, frequencies, analysis of variance and factor analysis. The study findings are presented using descriptive statistical tools such as tables and charts to enable easy comparison and clear projection of the situation. These findings are presented in chapter four, together with their detailed discussions.

3.7 VALIDITY AND RELIABILITY

Validity and reliability of the data collected for this study was ensured by pilot testing the instrument such that most of its anomalies were picked. Difficult questions for the respondents were further simplified and new Likert scales were considered after the pilot test. For this research, the researchers have attempted to ensure the face validity of the questionnaires. This refers to whether the items of the test appear to measure what the test proposes to measure. It should be ensured that the instrument address all essential questions and consideration taken to use the appropriate and suitable language for the respondents. The researcher also ensured that a well-trained enumerator was identified for this job in order to assist the respondents to understand the tool better. Reliability refers to the extent to which a scale produces consistent results if measurements are made repeatedly (Malhotra, 1999:281). Internal consistency reliability is a commonly used psychometric measure for assessing survey instruments and scales. Internal consistency is measured by calculating a statistic known as Cronbach’s co-efficient Alpha (Litwin, 1995:24). Cronbach’s Alpha test was used to test for reliability. According to Litwin (1995:31) a minimum Cronbach’s Alpha value of 0.7 is generally accepted as representing good reliability. The aggregate Cronbach’s Alpha value for this study was 0.7809 which being better than the acceptable level of 0.70, indicates a high level of reliability and internal consistency.
3.8 ETHICS AND VALUES

Saunders et al (2009) noted some important things to be observed when conducting research included informing the participants the aims, methods, benefits expected and potential hazards that might be encountered in the research.

The research was in line with ethical guidelines in that participation was voluntary and confidential. The respondents will be free to participate or not to. The responses will be kept as confidential as possible with names and sensitive information only being published with the express authority of the respondent.

Simple random technique was adopted in this study because it ensures that all have an equal chance of being included in the sample and the results of the study were expected to be representative of the target population.

3.9 SUMMARY

Despite the drawbacks of the methodology, the researcher is satisfied that the methodology used adequately fits into and achieves the objectives of this study. The next chapter presents the results of the study, and discusses the various issues as observed from the primary sources of data and literature review.
CHAPTER FOUR

RESULTS PRESENTATION ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

This chapter contains the research findings and the associated discussion of the findings. The discussion of the findings was linked to the literature review in chapter two. It provides the basis on which conclusions and recommendations of the study are made.

4.2 RESPONSE RATE

A total of 125 questionnaires were sent to companies operating in the furniture manufacturing industry. Out of the 125 questionnaires, 58 were successfully completed and returned back for this analysis. This represents a response rate of 46.40%. The determination of whether or not a response rate is adequate or not, depends largely on the use that is being made of the data collected. Richardson (2005) regarded a response rate of above 40% to be acceptable in social research postal surveys. Therefore, the response rate of 46.40% in this research was high enough to give enough confidence to the researcher to proceed with the analysis of the research findings.
4.3 GENERAL INFORMATION

This section provides an analysis of the demographic data which was collected from the questionnaires which were administered in the industry under study. It looked at data about the respondent’s level and experience as well as length of time in their organization. The results are presented in Figure 4.1 and Figure 4.2.

4.3.1 Level in organisation

This looks at the level of the respondent in the organization. The questionnaire was largely targeting Executives and management in the firms who would have access to information that would be relevant to the study.

![Figure 4.1: Level in organization](image)

Figure 4.1 shows that 46.3% of the respondents were part of the management team and 53.7% were part of the executive team. This implies that the researcher was targeting top management in this survey who were senior enough in their organizations to give information that was relevant to addressing the questions in the study.
4.3.2 Duration at the organisation

Figure 4.2: Duration at the organization

Figure 4.2 shows that 3.7% were less than 1 year old at their organizations, 35.19% were between 1 and 5 years at their organizations, 38.89% were between 6 and 10 years and 22.22% were above ten years at their respective organization. Most of the respondents had been with their organizations sufficiently long enough to be in a position to give responses pertaining to their firms which can be relied upon.
4.4 Impact of Furniture Imports on Zimbabwe’s Furniture Manufacturing Industry

This section looks at the general impact of imports on the furniture manufacturing industry including both positive and negative impacts to the industry.

Respondents were asked to indicate if their organizations were feeling the impact of imports and results are presented in figure 4.3.

Figure 4.3: Feeling the Impact of Imports
The analysis shows that 96.30% of the respondents acknowledged that the furniture manufacturing industry is feeling the impact of imports as opposed to only 3.7% who said the industry is not feeling the impact.

The researcher then sought to establish areas within their respective organisations that were evidently impacted by the import of competitive furniture imports. Areas of possible impact were listed as shown below with respondents identifying those that related to their organizations. The results are reflected in Table 4.1.

A = Expansion of international trade (EIT)
B = Improved financial flows (IFF)
C = Foreign Direct Investments (FDI)
D = Advanced management practices (AMP)
E = New forms of work organisation (NFWO)
F = Intensifying economic competition (IEC)
G = Integration of markets (IoM)
H = Liberalisation of government policies (LGP)
I = Improved regional trade agreements (IRTA)
The analysis in Table 4.1 shows that respondents agree that the industry is feeling the effect of expansion of international trade. Many Zimbabwean furniture manufacturing firms have not been able to expand into new markets as their products have been too expensive and not competitive. The local high cost of production due to high wage and utility bills have resulted in shrinking exports and increasing cheaper imports on the local market. The analysis also shows that respondents were neutral on improved financial flows, foreign direct investments, advanced management practices, new forms of work organization. In supporting the findings above Berg and Taylor, (2001) reiterated that the displacement effect can be further amplified when FDI inflows are accompanied by financial liberalization and consequent increases in the interest rate, in turn leading to shrinking domestic investments. With the majority of the local manufacturing firms concurring on the impact of imports and their inability to attract new Foreign Direct Investment to re-capitalise their businesses, it therefore, looks difficult for them to be able to ward off the effect of these imports through increasing their own productive capacities.

### TABLE 4.1 Impact of Imports evident in your organization

<table>
<thead>
<tr>
<th></th>
<th>EIT</th>
<th>IFF</th>
<th>FDI</th>
<th>AMP</th>
<th>NFWO</th>
<th>IEC</th>
<th>LGP</th>
<th>IoM</th>
<th>IRTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Missing</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mean</td>
<td>3.50</td>
<td>3.02</td>
<td>3.28</td>
<td>3.06</td>
<td>2.92</td>
<td>3.00</td>
<td>3.36</td>
<td>3.32</td>
<td>3.02</td>
</tr>
<tr>
<td>Mode</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

**KEY:**
1=Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly agree, 6=Not sure
4.5 Financial Impact of Imports on Furniture Manufacturing Industry

In this section the researcher covered an analysis of the financial impacts of imports on the industry. As firms were not willing to reveal the financial impact in exact figure terms, the researcher had to contend with doing an analysis of whether these costs were increasing, staying the same, or decreasing as a result of the impact of increased furniture imports into the local market. Table 4.2 analyses how these costs have faired over a period of the last 5 years. The financial impacts analysed were Salaries & Wages, labour related costs, material costs, fuel & energy costs, interest charges, Security costs and taxes.

S&W = Salaries and Wages
LRC = Labour related costs
RMC = Raw material costs
F&E = Fuel and energy
INT = Interest charges
SEC = Security
T = Taxes

The table is also further explained by the following key:

1 = Decreasing, 2 = Constant, 3 = Increasing

Table 4.2 Components of costs that have changed over the past 5 years

<table>
<thead>
<tr>
<th></th>
<th>S&amp;W</th>
<th>LRC</th>
<th>RMC</th>
<th>F&amp;E</th>
<th>INT</th>
<th>SEC</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>54</td>
<td>54</td>
<td>52</td>
<td>54</td>
<td>47</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>7</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Mean</td>
<td>2.76</td>
<td>2.83</td>
<td>2.63</td>
<td>2.85</td>
<td>2.53</td>
<td>2.75</td>
<td>2.67</td>
</tr>
<tr>
<td>Mode</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>
The analysis in Table 4.2 shows that the mean response for all the financial impacts is almost 3 which implies that imports caused an increase in all financially related issues. These include wages and salaries, labour related costs, raw materials, fuel and energy, interest charges, security and taxes. The analysis shows that the highest impact was found on fuel and energy with mean response of 2.85. Macdonald, (1997) and Ali (2005) on the issues of wages pointed out that available evidence suggests that larger Multi-national companies generally pay higher wages than local companies; in any case, Multi-national companies match or exceed the level of working conditions and other employment benefits in the local labour markets. Therefore, in order to compete with these foreign firms, the local companies are forced to pay commensurate packages and thereby increasing their cost structures which may not be matched by a corresponding increase in sales revenue.

The researcher provided a further analysis to investigate the financial strategies that are important for the furniture manufacturing industry. These study findings are discussed in the next section.

4.5.1 Realistic Projections of Costs and Expenditure

The liquidity shortage in the economy has brought with it a number of pressures on firms to realistically forecast all costs and anticipate expenditure patterns correctly as funds are not flowing efficiently through the economy. The researcher analysed whether firms were able to effectively project cost and expenditure patterns.
Figure 4.4: Realistic Projections of costs and Expenditure

Figure 4.4 shows that 87% of the respondents concurred that making realistic projections of costs and expenditure is important for the sector as opposed to only about 13% who said it is not important. Although many of the firms have tried in earnest to project costs accurately, many have ended up with huge debt positions due to the unpredictability of the Zimbabwean economy. Changes in government policies, such as tax bands, and customs duties have resulted in hikes cost structures in a market where sales have been depressed due to liquidity constraints and low levels of disposable incomes.

4.5.2 Mobilizing short and long term external funds at minimum costs

The researcher then went on to do an analysis on the importance of short and long term external funds at minimum costs within the industry. This was particularly relevant as manufacturing firms need to access funding to finance production as most of their sales are credit sales which range from between 60 days to 120 days. Thus it is crucial that firms are able to source cheap long term facilities. Respondents were asked if the sourcing of cheap short and long term funding was important to their companies.
Figure 4.5: Short and long term external funds at minimum cost

Figure 4.5 shows that 88.9% of the respondents in the furniture manufacturing industry agreed that the industry must mobilize short and long term external funds at minimum costs as compared to only 11% who said the industry should not do that.

The local financial market is not able to provide the requisite funding to manufacturing firms due to limited credit lines available. Thus the cost of such funding (when available) is at interest rates in excess of 20% per annum, and available only for periods not exceeding 90 days, and this is not affordable nor sustainable for furniture manufacturing firms that require at the very least funding for 120 days at reasonable rates. This therefore, means that the industry has to mobilize external funds at minimum costs. Feenstra (1996) pointed out that imports cause the local companies to produce at a higher cost which occur through the imitation process, in which the follower country carries out costly imitation of products already developed in the leader country. Due to decreasing business productivity as a result of pressure from imports, local firms are finding harder to attract cheaper capital funds as the banks now view the industry as risky with the increased possibility of firms failing to repay their loans.
4.5.3 Maximising Internal Resource Generation

It is very important for firms to be able to maximize on internal resources generation in the furniture manufacturing industry of Zimbabwe. This will lower their funding costs.

**Figure 4.6: Internal Resource Generation**

Figure 4.6 shows that 87% agreed that the furniture manufacturing of Zimbabwe must value the internal generation of resources and about 13% said it should not value this strategy. Firms need to re-capitalise their businesses in order to finance working capital requirements and acquisition of new equipment.

This is the challenge a number of firms that were dependant on Zimbabwe dollar local borrowings faced at the advent of the multi-currency regime as they could no longer access funding and now needed to re-capitalise their business from internal resources. Although this may prove difficult yet, the generation of internal resources can assist
firms in re-capitalisation at reasonable costs. This implies that this can be considered as a strategy in to revive the industry.

**4.5.4 Improve Profitability through regulation and control of Expenditure**

This next section shows an analysis of how the industry considers improving profitability through regulation and control of expenditure.

![Figure 4.7: Expenditure Reduction](image)

The analysis in Figure 4.7 shows that 85% of the respondents agreed that the reduction of expenditure so as to increase profit is important in the industry and about 15% disagreed. With sales declining, it is imperative that firms are able to control costs to within manageable levels if they are to remain viable. This has resulted in firms reducing their overheads and labour costs which have been negatively impacted by imports.
4.6 Impact of Imports on Employment in the Furniture Manufacturing Industry

This section provides an analysis to investigate the impact of imports on employment in the furniture manufacturing industry of Zimbabwe. Unemployment levels have risen as firms have downsized their operations.

Table 4.3 Impact of Imports on Employment

<table>
<thead>
<tr>
<th></th>
<th>Wages</th>
<th>Employment levels</th>
<th>Technological growth</th>
<th>Flow of information</th>
<th>Staff Turnover</th>
<th>Skills Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>54</td>
<td>52</td>
<td>54</td>
<td>54</td>
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</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>2.17</td>
<td>1.19</td>
<td>2.17</td>
<td>2.31</td>
<td>2.56</td>
<td>1.44</td>
</tr>
<tr>
<td>Mode</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

The analysis in table 4.3 shows that respondents agreed that wages and salaries increased (mean of 3) as a result of imports of furniture in the industry. Monthly minimum wages in the industry rose from $60 in 2009 to $242 in 2013 for the lowest paid worker in the industry which translated to an increase in excess of 400% in 4 years. There has not been an equivalent hike in product prices as consumers liquidity constraints have meant consumers have not been willing to pay higher prices and have thus opted to go for the cheaper priced imported goods.
Employment levels decreased (mean of 1), which have been evident in the closure of all provincial offices by the trade union body representing the industry and a reduction of its staff compliment in its Harare office from 10 to 2 as there was a rapid decline in its constituent member base. Firms are now employing contract labour on a job-by-job basis as they try to keep their labour costs to the bare minimum.

Milanovic, (2002) argued that whenever any researcher becomes interested in the impact of trade on employment and wages, the matching of import data to labour data always creates a substantial problem because these statistics have differing classifications in different countries. Thus the comparison of such data across countries is often difficult to achieve.

Technological advancement and innovation was constant (mean of 2), reflecting the low level of new capital equipment being purchased as a result of funding challenges. In the last 10 years, very few furniture manufacturing firms have been able to access long term capital or have been in a position to generate internal resources that have allowed them to acquire new machinery. This has been evident from the fact that local machine suppliers are no longer holding stocks of machinery and are now placing orders with international suppliers only when they receive an enquiry from a manufacturer.

Information flow was constant (mean of 2), while staff turnover increased (mean of 3) and skills availability decreased. On the issue of technology, Macdonald, (1997) argued that new technology has made it possible to produce the same level of production output with fewer workers. In both situations, an increased emphasis is placed on workers having higher value capacities and skills to perform a variety of jobs. This development has blurred the functional and hierarchical distinctions between different types of jobs and between labour and management in general (Macdonald, 1997).

As is shown in table 4.3, staff turnover increased as a result of imports in the industry, thus the study proceed to establish if this affected the quality skills of the staff employed in the industry. Respondents were asked if they were now resorting to employing cheap labour in order to manage their labour costs in order to try and compete with the pricing
of the cheaper imported furniture products from Asia that were heavily reliant on the use of cheap labour. The results are shown in figure 4.8.

![Figure 4.8: Employment of Cheap Labour](image)

**Figure 4.8: Employment of Cheap Labour**

Figure 4.8 above shows that a total of 30.5% (agree and strongly agree) agreed that their organisation are employing cheap and unskilled labour, 11.11% were neutral and a total of 57% disagreed that their organisations are employing cheap labour. Despite their endeavour to lower their labour costs, this is a challenge for most manufacturers if they are to still maintain the high standard of product quality that they have been producing for years. This is because a number of their process are manual and require highly skilled craftsmen to perform them and thus they have to retain or employ expensive and experienced workers.
The study then went on to see if the industry had downsized its workforce to employ fewer people per job in order to reduce costs as an attempt to counter the effect of the increasing number of imports.

![Figure 4.9: Employing Less People per Job](image)

Figure 4.9 provided an analysis on the whether the industry was now employing less people per job following the influx of imports. The analysis shows that about 13% of the respondents strongly agreed that their organisations are employing less people per job, about 26% agreed, about 19% were neutral, 33% disagreed and 9% strongly disagreed to that. This analysis shows that respondents were almost equally divided over this issue implying that the researcher cannot conclude whether the industry is now employing less people per job and thus it cannot be concluded that imports have resulted in firms employing fewer workers per job.

Kathuria, (2001) argued that globalisation increases the competitiveness and inequality among countries. Productivity growth constitutes the key element of the economic convergence process. It is therefore important to note that productivity growth should be higher than wage growth; otherwise, it could harm employment growth.
The casualisation of labour is also growing due to economic liberalization, changes in ownership and technology, in addition to cost-cutting competitive strategies of employers (Verspagen and Wakelin, 1997).

4.7 Trade Liberalisation

There is a relationship between trade liberalization and economic growth. Trade patterns among countries are determined by comparative advantage (Benabou, 1996). David Ricardo quoted in (Suranovic S 1997) said that each country maximises its welfare by concentrating on the activities in which it has a lower opportunity cost than another country. Thus, the researcher then went on to establish how trade liberalization and the opening-up of the economy to the free-flow of imported products had impacted on the furniture industry. The researcher focused on specific areas to establish their influence and impact. These included: Access to capital (AtC), Aptitude (Apt), Non-motivation (NM), Import duties (ImpD), Infrastructure (Inf), Interest rates (INT), Labour relations (LR), Productivity (Prod), Skills Availability (Skills), and Technology (Tech). The responses are analysed in Table 4.4

Table 4.4: Impact of Trade Liberalization

1 = No effect, 2 = Moderate, 3 = Severe

<table>
<thead>
<tr>
<th></th>
<th>ATC</th>
<th>Apt</th>
<th>NM</th>
<th>ImpD</th>
<th>Inf</th>
<th>INT</th>
<th>LR</th>
<th>Prod</th>
<th>Skills</th>
<th>Tech</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>52</td>
<td>44</td>
<td>50</td>
<td>52</td>
<td>49</td>
<td>47</td>
<td>52</td>
<td>52</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Mean</td>
<td>2.69</td>
<td>1.75</td>
<td>2.34</td>
<td>2.29</td>
<td>2.06</td>
<td>2.11</td>
<td>2.27</td>
<td>2.65</td>
<td>2.17</td>
<td>2.02</td>
</tr>
<tr>
<td>Mode</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>
The analysis in table 4.4 above shows that severe effect was experienced on access to capital and productivity whilst the moderate effect was experienced on aptitude, non-motivation, import duties, infrastructure, interests rates, labour relations, skills availability and technological advances.

Trade liberalization impacts on both the level of income and the long-run rate of growth of an economy through scale, allocation, spill over, and redundancy effects (Balassa, 2001). Scale effects are assumed to be derived from the closer integration of the country with the world market, while allocative effects arise from the resource reallocation leading to the accumulation of factors of production such as human or physical capital or research and development as a result of country specialization. Integration into the world economy is associated with costly institutional reforms. Figer (2001) estimates that it would cost a typical developing country US$ 150 million to implement requirements under a WTO accession agreement.

The following table shows the results of opening up the Zimbabwe furniture industry to foreign competition in the industry.

**Table 4.5 Effect of opening the industry to foreign competition**

1 = Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree 5 = Strongly disagree

<table>
<thead>
<tr>
<th></th>
<th>Access to technology</th>
<th>Access to Competition</th>
<th>Access to inputs</th>
<th>Improved skills</th>
<th>Unequal trading partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>54</td>
<td>54</td>
<td>51</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>2.31</td>
<td>2.35</td>
<td>2.47</td>
<td>2.50</td>
<td>2.22</td>
</tr>
<tr>
<td>Mode</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>
The analysis in Table 4.5 shows that respondents agreed that the opening up of the economy led to increased access to technology, increased competition, increased access to inputs, improved skills and also lead to unequal trading partners.

According to Tekere (2001) neo liberal economists define trade liberalization as opening up an economy to foreign competition which is expected to lead to opportunities for local firms to grow through better access to new production technologies, inputs and managerial skills. Balassa, (1971) highlighted that one important consequence of trade liberalization is the diffusion and integration of technological knowledge. Integrating world markets facilitates access to the knowledge available in other nations. Duncan and Pollard (2002) set out a conceptual framework in which to think about the actions that may need to be taken to maximize the chances that trade liberalization will lead to economic growth and to ensure that the poor will be able to participate in any economic growth.

4.8 Competitiveness of Strategies

This section gives an analysis assessing the competitiveness of the strategies that Zimbabwean furniture manufacturing firms employ to counter the effects of imports. The study looked at some possible options that firms could consider and respondents were asked if these options could be employed successfully by their organisations. The strategies that were highlighted were: Financial Turnaround (FT), Differentiation (Diff), Diversification (Div), Asset Reduction (AR), Leadership Change (LC), and Financial restructuring (FR). The results of the responses to these options are presented in Table 4.6.
The analysis from table 4.6 shows that respondents generally were skewed towards neutral on financial turnaround. This could have been as a result of many of them having very limited options with regards to access of funding to revive their firms. Respondents generally agreed that differentiation can be employed to turnaround the industry, and this has been evidenced by the increasing number of firms that are now trying to create their own niche markets of high-end customized teak furniture which will attempt to counter the cheaper low-end imported range. A large number of respondents were partially neutral on diversification, while some of the respondents disagreed on asset reduction and on leadership change. Haddard, deMelo and Horton, (1996) highlighted that increased imports of consumer products encourage domestic import-substituting firms to innovate and restructure themselves in order to compete with foreign rivals; therefore, imports enhance productive efficiency. Many of the respondents also agreed that financial restructuring is one strategy that the industry can employ in order turnaround the industry, but very few had any real solution as to how this could be achieved in the current Zimbabwean environment. This then presents the question of how then are they surviving? Many firms are on the brink of closure and the continued pressure of imports could force them to close in the not so distant future.
The researcher also provided an analysis on the business restructuring activities that an organization can undertake to turnaround its business. The results are summarised in Table 4.7.

### Table 4.7: Business Re-structuring activities

<table>
<thead>
<tr>
<th></th>
<th>Right sizing of manpower</th>
<th>Removing non important assets</th>
<th>Putting first capital expenditure</th>
<th>Raising self-sufficient profit centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>1.22</td>
<td>1.78</td>
<td>1.78</td>
<td>1.28</td>
</tr>
<tr>
<td>Mode</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

The analysis in Table 4.7 shows that respondents agreed that right sizing manpower and raising of self-sufficient profit centers are activities that can be adapted to turnaround the industry. Respondents disagreed on removing non important assets and putting first capital expenditures.

Krugman (1994), argues that it firms should have their own strategies for lowering costs, improving product quality and finding marketing networks. Porter (2008) highlighted that the four strategies relate to the extent to which the scope of businesses’ activities are narrow versus broad and the extent to which a business seeks to differentiate its products, these include differentiation, differentiation focus, cost leadership and cost focus.
4.9 Hypothesis Testing

An analysis of the correlation between imports and financial performance of the furniture manufacturing industry in Zimbabwe was also conducted and the results are summarised in Table 4.8.

Table 4.8: Correlation between Imports and Viability

<table>
<thead>
<tr>
<th></th>
<th>Impact of Imports</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of Imports</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.186</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>54</td>
</tr>
<tr>
<td>Financial</td>
<td>Pearson Correlation</td>
<td>-.205</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.186</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>43</td>
</tr>
</tbody>
</table>

Table 4.8 shows that imports have a negative correlation of -0.205 with the financial effects in the Zimbabwean furniture manufacturing industry. This therefore, means that the increase in the level of imports was actually causing a decline in the financial performance of the local furniture industry.

A further analysis of the relationship between imports and employment in the furniture manufacturing industry in Zimbabwe was also conducted with the results being presented in Table 4.9.
Table 4.9: Correlation between Imports and Employment

<table>
<thead>
<tr>
<th></th>
<th>Impact of Imports</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of Imports</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>54</td>
</tr>
<tr>
<td>Employment</td>
<td>Pearson Correlation</td>
<td>.189</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.180</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>52</td>
</tr>
</tbody>
</table>

The analysis shows that influx of imports into the country negatively affected the level of employment in Zimbabwe. This is signified by a positive correlation of 0.189 which is however weak and positive. This implies that the industry was affected by products coming from other countries and therefore reducing the viability of the local industry.
An analysis of the relationship of the introduction of the multi-currency regime on growth and the level of imports was also conducted. The results are presented in Table 4.10.

**Table 4.10: The Effect of Multi-currency on growth and imports in Zimbabwe**

<table>
<thead>
<tr>
<th>Impact of Imports</th>
<th>Pearson Correlation</th>
<th>Impact of Imports</th>
<th>Pearson Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of Imports</td>
<td>1</td>
<td>-.057</td>
<td>Multi-Currency Growth</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.728</td>
<td></td>
<td>N 40</td>
</tr>
<tr>
<td>N</td>
<td>54</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Multi-Currency Growth</th>
<th>Pearson Correlation</th>
<th>Impact of Imports</th>
<th>Pearson Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>40</td>
<td>-.057</td>
<td>Multi-Currency Growth</td>
</tr>
<tr>
<td>N</td>
<td>40</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The analysis above shows that the advent of multi-currency in the country actual had a negative impact to the growth of the local furniture manufacturing industry. This is signified by a negative correlation value of 0.057. This value also means that the relationship is very weak.

**4.9 Summary**

This chapter provided an analysis and discussion of the results from the questionnaires. The discussion was done parallel to the literature reviewed in chapter two of the study. The chapter was also structured according to the objectives of the study. The next chapter is going to provide the conclusions and recommendations of the study.
CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION
This chapter outlines the findings of this study and their relationship with the relevant theory and determines how the factors identified have impacted on the Zimbabwe furniture manufacturing industry. Based on the results obtained from the study, a discussion of the, theoretical and practical implications are presented. The contributions this study can make to determine future research directions are highlighted. The limitations of the study are also discussed.

5.2 CONCLUSIONS

5.2.1 Impact of Furniture Imports Zimbabwe Furniture Manufacturing
The study found and concluded that the Zimbabwe furniture manufacturing industry is experiencing negative impacts as a result of competitive imports of furniture. The impacts of imports were experienced from decreased Foreign Direct Investments, new forms of work organisation, intensifying economic competition, the integration of markets. The results of this study can also be generalised to the effect that imported goods have had a negative impact in the Zimbabwe manufacturing industry as a whole.

5.2.2 Financial Impact of Imports on Furniture Manufacturing Industry
The study also concluded that the Furniture manufacturing sector has experienced the following financial impacts as result of imports increased labour costs, material, fuel and interest charges.
5.2.3 Impact of Imports on Employment in the Furniture Manufacturing Industry

The study found and concluded that wages and salaries increased, employment levels decreased, technological advancement and innovation did not change, staff turnover increased and skills availability decreased.

The study found and concluded that high staff turnover in the sector has resulted in high employment costs and the sector has been fewer and cheaper staff than before.

5.2.4 Trade Liberalization and its Impact in the Furniture Manufacturing Industry

The study concluded that trade liberalization has caused constraint to the industry to be able to access capital. Moreover, the industry has been facing challenges on aptitude, non-motivation, import duties, poor infrastructure, high interest rates, labour relations issues and low productivity. The industry has been challenged by skills availability and technology.

The industry experienced severe effects on access to capital and productivity whilst the moderate effect was experienced on aptitude, non-motivation, import duties, infrastructure, interest rates, labour relations, skills availability and technological advances.

5.2.5 Strategies

The study found and concludes that the industry needs a financial turnaround in order to improve performance in the sector. Re-capitalization is central to the resuscitation, growth and survival of the furniture industry. This is particularly important and evident from the fact that a number of firms were built-up and sustained by Zimbabwe dollar borrowings and the advent of the multi-currency regime left them heavily under-capitalized and unable to invest in new technologies. It was also concluded that differentiation and diversification can be employed to turnaround the industry.
5.3 Contribution and theoretical implications

Theoretically, this study contributed to the existing literature in the following ways. First and foremost, this study provided fresh information on the impact of imports on Zimbabwe’s furniture manufacturing industry. Secondly, the findings of this study make an important contribution to the literature by investigating a little studied, yet important, sector and contributor to GDP. The findings from this study can be directly compared with those obtained previously in other countries. Thirdly, the study provides information of interest to the Zimbabwean manufacturing industry as a whole as it seeks to investigate capacity utilization within the manufacturing sector. Last, but not least, the instruments developed and validated in this study can be used in future research. The validated research framework proposed in this study can hence serve as a basis for hypothesis formulation for future research in this area.

5.4 Recommendations

The study recommends that the sector can adopt realistic projections of costs and expenditure, mobilizing short and long term external funds at minimum costs, maximizing, internal resource generation, Improve Profitability through regulation and control of Expenditure as financial strategies that are important for the companies that are in the furniture manufacturing industry.

The sector is recommended to adopt new technologies which will enable it to achieve the same level of production output with fewer workers. This new technology will also reduce production costs and improve efficiency while also certainly improving the quality of goods produced. An increased emphasis will have to be placed on workers having higher value capacities and skills to perform a variety of jobs.

The study further recommends that productivity growth constitutes the key element of the economic convergence process. It is therefore important to note that productivity
growth should be higher than wage growth; otherwise, it could harm employment growth.

The study recommends that there is a relationship between trade liberalization and economic growth. The study recommends that the opening up of the economy leads to foreign competition which is expected to lead to opportunities for local firms to grow through better access to new production technologies, inputs, and managerial skills. The industry could benefit from trade liberalization since it promotes the diffusion and integration of technological knowledge. The integrating into world markets should then facilitate access to the knowledge available in other nations.

The local furniture manufacturing firms are encouraged to innovate and restructure themselves in order to compete with foreign rivals; therefore, imports enhance productive efficiency.

Zimbabwe furniture manufacturing firms should have their own strategies for lowering costs, improving product quality, and finding marketing networks. The industry should seek to differentiate itself through product differentiation, differentiation focus, cost leadership, and cost focus.

The study also recommends that government imposes stiffer duties on imported products in order to accord the local manufacturing industry some protection from these imports. This will help revive the local economy as consumers will have to purchase the local products instead of opting for the imports which will hopefully be more expensive than the local products. This however, means that local firms would have to produce goods at pricing levels that are affordable to the local consumer.

5.5 Evaluation of Recommendations
These recommendations although being generally acceptable, would need to be analysed further using the Suitability, Feasibility and Acceptability (SFA) Model to accurately assess their relevance and usefulness to the prevailing Zimbabwean
situation. This is very important as recommendations need to be practically possible given the challenges that the industry and the economy as a whole is facing. An evaluation of the recommendations is presented in Table 5.1

**Table 5.1: SFA Model**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Suitability</th>
<th>Feasibility</th>
<th>Acceptability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of Realistic projections of costs and expenditure</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Adoption of new technologies</td>
<td>✔</td>
<td>x</td>
<td>✔</td>
</tr>
<tr>
<td>Increase productivity</td>
<td>✔</td>
<td>x</td>
<td>X</td>
</tr>
<tr>
<td>Opening up of economy to foreign competition</td>
<td>x</td>
<td>✔</td>
<td>X</td>
</tr>
<tr>
<td>Innovation and restructuring, and differentiation</td>
<td>✔</td>
<td>x</td>
<td>X</td>
</tr>
<tr>
<td>Increase Duties on Imports</td>
<td>✔</td>
<td>✔</td>
<td>x</td>
</tr>
</tbody>
</table>

The model in Table 5.1 shows that although on the surface the recommendations may appear straight-forward and easy to implement, the reality is that because of the prevailing economic and political environment in Zimbabwe, they may not all be feasible nor acceptable to implement. However, these recommendations do give a good platform for the revival of the local manufacturing industry all things being equal.
5.6 Area of Further Study

A further study can be carried out to evaluate those product lines within the industry that Zimbabwe furniture manufacturers have a competitive advantage in to enable them to focus mainly on those areas and ensure growth in those areas. Also, the evaluation of the effects of globalization on local industry across sectors is recommended.
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Dear Sir / Madam,

RE: ACADEMIC RESEARCH QUESTIONNAIRE

My name is Shephard Tendai Kanyangarara and I am a student of the University of Zimbabwe Graduate School of Management currently pursuing studies towards a Master of Business Administration (MBA) Degree with the same University. (Please see attached letter).

In partial fulfillment of the requirements of the MBA, I am carrying out a research on the “Impact of Furniture Imports on the Zimbabwe Furniture Manufacturing Industry”. I would therefore, kindly ask you to assist me with this research by taking some time to complete the attached questionnaire which will aid me in completing my dissertation. Please be advised that the research is strictly for academic reasons and all information will be treated with high levels of confidentiality and ethical standards.

Should you require any further information or clarification, please do not hesitate to contact me on mobile number 0772-369871. I hope that this request will meet your favourable and expedient response.

Thanking you in advance.

Yours Sincerely,

Shephard Tendai Kanyangarara
APPENDIX 2 – QUESTIONNAIRE

QUESTIONNAIRE FOR FURNITURE MANUFACTURING INDUSTRY

Researcher: Shephard Tendai Kanyangarara
Programme: Master of Business Administration (MBA)
Graduate School of Management - University of Zimbabwe

Note to the respondent

We request for your assistance to understand how imports have affected the furniture manufacturing industry in Zimbabwe. The purpose of this study is purely academic. No information in the report shall be ascribed to you.

How to complete the questionnaire

1. Please answer the questions as truthfully as you can. Also, please be sure to read and follow the directions for each part. If you do not follow the directions, it will make it harder for us to do our project.

2. Please attempt to answer all the questions wholly. If you do not feel comfortable answering a question, you can indicate by Not Applicable (N/A)

3. You can mark each response by making a tick or a cross, or encircling each appropriate response with a PEN (not a pencil), or by filling in the required words or numbers.

4. Completed questionnaires may be returned to: Shephard Kanyangarara
   The Furniture Dezign Company (P/L)
   9 Loreley Close
   Msasa
   Harare
   Telephone 0772-369871
   Email: shepk@mweb.co.zw

Thank you for your cooperation.
QUESTIONNAIRE FOR THE FURNITURE MANUFACTURING INDUSTRY

Section A: General Questions

1. What is the name of your organisation?

2. What level do you fall in your organisation? (Tick the relevant from below)
   a) Executive [ ]
   b) Management [ ]
   c) Supervisor [ ]
   d) Other [ ]

3. For how long have you been in the organisation?
   a) Less than a year [ ]
   b) One to five years [ ]
   c) Six to ten years [ ]
   d) Above ten years [ ]

Section B: Impact of furniture imports on Zimbabwe’s manufacturing industry as relates to the furniture manufacturing Industry

4. Do you think your organisation is feeling the impact of imports?
   Yes [ ]   No [ ]   Not sure [ ]

5. Impacts of imports in the furniture manufacturing industry that are evident in your organisation are as follows. Do you agree (tick where applicable)?

   Note: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly Agree and 6=Not Sure

<table>
<thead>
<tr>
<th>Expanding international trade</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
</table>

91
Improved financial flows
Foreign Direct Investment
Advanced management practices
New forms of work organization
Intensifying economic competition
Integration of markets
Liberalization of government policies
Improved regional trade agreements

<table>
<thead>
<tr>
<th>Item</th>
<th>Constant</th>
<th>Increasing</th>
<th>Decreasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and Salaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other labour related costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw Materials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel and Energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Charges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section C: Financial impact of imports on the Zimbabwe furniture manufacturing industry

6. Indicate how the following components of costs have changed over the past five (5) Years in your organization?
7. The table below illustrates the components of a financial strategy. According to your organisation which factors do you think are important indicate by a tick.

<table>
<thead>
<tr>
<th>Components of a financial survival strategy</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realistic projections of costs and expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobilizing short/long term external funds at minimum cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximising internal resource generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve profitability through regulation and control of expenditure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section D: The impact of imports on employment in the furniture manufacturing industry

8. Indicate how the following components have changed as a result of imports in the manufacturing industry?

<table>
<thead>
<tr>
<th>Item</th>
<th>Constant</th>
<th>Increasing</th>
<th>Decreasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and Salaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment levels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rapid technological advancement and innovation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhancement in the information flow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff turnover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skills availability</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
9. Do you agree to the following statements as it relates to the imports in the sector?

1=Strongly Agree  2=Agree  3=Neutral  4=Disagree  5=Strongly Disagree

My organisation is employing cheap unskilled labour
1                                2      3       4    5

My organisation is employing less people per job
1                                2      3       4    5

10. How was your organisation affected by the influx of imports with the advent of the multi-currency regime in the country’s furniture manufacturing industry?

<table>
<thead>
<tr>
<th>Item</th>
<th>No Effect</th>
<th>Moderate</th>
<th>Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aptitude</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Motivation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import Duties</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour Relations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skill Availability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
11. From the following factors which ones do you think can result from the opening up of the economy to foreign competition in the industry in accordance to your organisation?

1=Strongly Agree 2=Agree 3=Neutral 4=Disagree 5=Strongly Disagree

a. better access to new production technologies

b. Competition from imports leads to specialization

c. better access to inputs

d. improved managerial skills

e. problems of unequal trading partners

Section F: Competitiveness of strategies that Zimbabwean furniture manufacturing firms may employ to counter the effects of imports

12. Do you agree to the following statements?

1=Strongly Agree 2=Agree 3=Neutral 4=Disagree 5=Strongly Disagree

My Organisation has strong capabilities

My Organisation invests in new technologies

My organisation is embracing globalization like influx of imports

My organisation is a learning one
13. In your own view, do you think your organisation is able to design, produce and/or market products that are superior to those offered by international companies?
Yes [ ]   No [ ]                     No idea [ ]

14. Below are some of the factors that affect the performance of a sector. In your own view can you circle your most appropriate situation at your organisation?
1=Strongly Agree  2=Agree  3=Neutral  4=Disagree  5=Strongly Disagree

International benchmarking
1   2   4   4   5

Focus on innovation, quality and technology,
1   2   4   4   5

Human resource development,
1   2   4   4   5

Effective risk management
1   2   4   4   5

Skillful corporate leadership
1   2   4   4   5

15. Indicate the relative contributions of the following components to total costs.

**Item** | **Percentage Contribution to total costs (%)**
---|---
i. Wages and salaries | 
ii. Other labour-related costs | 
iii. Raw materials | 
iv. Fuel and energy | 
v. Interest charges | 
vi. Security | 
vii. Taxes |
16. The following statements refer to the strategies that can be employed by companies in the furniture manufacturing industry?

(1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree)

a. Ensure immediate financial turnaround [  ]
b. Differentiation strategy [  ]
c. Diversification of non-profitable business operations. [  ]
d. Asset reductions. [  ]
e. Leadership change. [  ]
f. Financial restructuring. [  ]

17. From the following business restructuring activities, which ones do you think your organisation can undertake?

a. rightsizing of manpower [  ]
b. removing of non-important assets [  ]
c. putting first capital expenditure decisions [  ]
d. raising self-sufficient profit centres [  ]
Section G: Recommendations

18. Can you please make policy recommendations for possible consideration by the industry as regards to the impact of imports on Zimbabwe’s furniture manufacturing Industry?

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

END OF QUESTIONNAIRE - THANK YOU FOR YOUR TIME