The University of Zimbabwe Business Review (UZBR) is a quarterly refereed research journal of the Faculty of Commerce, University of Zimbabwe. The aim of UZBR is to facilitate the publication and dissemination of research in management, accounting, economics and related fields.

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Harare
Zimbabwe

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Crafting a quality mission statement that works for you and the company

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ABSTRACT
Research shows the increasing popularity of a mission statement as a strategic planning tool. Formulation of quality mission statements advances companies' business strategies and in so doing enhances organisational performance. However, despite the benefits of having a good mission statement, few companies in Zimbabwe are paying appropriate attention when crafting worthwhile statements.

A mission statement is a broadly defined enduring statement of purpose or reason for organisational existence that is communicated to its stakeholders. It defines the organisation, the business that it is into and how it intends to meet human needs, and it distinguishes one organisation from other organisations (corporate identity) to make that organisation unique. It tells who we are and what we do well, as well as what we would like to become, and answers the fundamental question: what business are you in?

The mission statement is primarily a management tool that forms the foundation for organisational goals and strategies. It is the basis upon which the strategic management process of an organisation is built in response to changing environmental circumstances so as to avoid strategic drift. It is therefore essential that a mission statement is well thought through and well crafted so that it can meet its prime objectives of: communicating the strategic direction of an organisation; guiding the decision-making process; providing a common goal, and motivating staff.

Since the mission statement is the most easily noticed and public part of the whole strategic management process, it is important that it contains the essential elements of: product/services, target market, and technology used to produce and market products (PMDT), critical success factors (CSF), organisational key values (OKV) and organisational philosophy (OP).

Therefore, this research paper dwells on ensuring that when crafting a good mission statement, the above essential components must be included. The paper argues for the need to craft a quality mission statement and the form that it should take, if companies are to realise the potential benefits of mission statements.

Key words: Mission statements, strategic management process, organisational performance, Zimbabwean companies

INTRODUCTION
Way back in 1973, Drucker remarked that 'business purpose and business mission are so rarely given adequate thought and this is perhaps the most important cause of business frustration and failure' (p.9). Unfortunately, his comment is as true today as it was then. Although mission statements are one of the most popular management instruments, little is known about the elements of a good mission statement and how a mission statement can work for you and the company. Research suggests that mission statements vary enormously in length and content, showing that there is little agreement about what a mission statement should contain (Baetz and Bart, 1996). Still puzzling, however, is what content makes a mission statement to be 'effective'. Furthermore, it is not known whether organisational stakeholders know the mission statement, whether they use the mission statement, and which factors influence the use of a mission statement (Desmidt et al., 2008). Other closely related concepts to the 'Mission Statement' are Vision, Values, Beliefs, Principles, Strategic
Intent, Strategic Position and Strategic Direction. These concepts are all trying to uncover the purpose of the organisation but there are, however, subtle differences between them.

We address the observed knowledge gap by operationalising the mission statement (i.e. explaining the mission statement, and adapting the mission statement to the personal work situation by individual organisational members), and identifying the important elements that influence mission statement use.

There are different checklists of items that should be included leading to different conceptions of a mission statement. This paper aims at ensuring that companies possess useful mission statements. Furthermore, the paper argues for the need to craft a quality mission statement and the form that it should take, if companies are to realise the potential benefits of mission statements. There is a need to clearly define a mission statement if companies are to operationalise the concept.

OPERATIONALISING THE MISSION STATEMENT

While several schools of thought exist when conceptualising a mission statement (Attil et al., 2005; Cochran and David, 1987; David and David, 2003; Piercy and Morgan, 1994), the most common views are the strategy school and the cultural ‘glue’ that enables an organisation to function as a collective unity. The strategy school primarily views the mission as a strategic tool which defines the business’s commercial rationale, target market and what the company has to be really good at, i.e. its critical success factors (CSF). It is the first step in a strategic management process that answers the fundamental question ‘what is our business and what should it be?’ (Segal-Horn, 1999). In this regard, both academics and practitioners consider the development of a meaningful mission statement to be critical to the success of any organisation.

The second school of thought is the culture school. It consists of norms and values that bind people together and influence the way in which people behave and work together in pursuit of organisational goals. This school of thought is concerned with generating co-operation among employees through shared values and standards of behaviour (Segal-Horn, 1999). A sense of a mission occurs when there is a match between the values of an organisation and those of an individual. This is because an individual with a sense of mission has an emotional attachment and commitment to the company, what it stands for and what it is trying to do.

The question that arises is whether these two different interpretations can be reconciled or not. This paper takes the view that these two schools of thought (strategy and culture) are just separate parts of the same picture.

While the mission statement has been defined variable by different authors, they have all emphasised its role as an enduring statement of purpose for organisations that identifies the scope of operations in product and market terms and reflecting the organisation’s values and priorities (Rajasekar, 2013). A mission statement can be defined as a broadly defined enduring statement of purpose that reflects high ideals or reasons for an organisation’s existence that is communicated to its stakeholders. It defines the organisation, the business that it is into and how it intends to meet human needs, and it distinguishes one organisation from other organisations (corporate identity) to make that organisation unique. It tells who we are and what we do well, as well as what we would like to become, and answers the fundamental question ‘what is our business and what should it be’? It provides a portrait against which the organisation can be compared and judged by its stakeholders. It must thus focus on touching the hearts and minds of those who read it and must appeal to a broad spectrum of its stakeholders. Therefore, this means that the two schools of thought can be synthesised into a comprehensive single description of a mission statement.

Bart and Hupfer (2004) argue that the mission statement is central to an organisation since it kick-starts the strategic management process of an organisation. The mission statement captures an organisation’s unique and enduring purpose, practices, and core values (Bart and Hupfer, 2004). What is also important is that a mission statement needs to be managed and it can be managed better if it is clearly defined and crafted in the first place.
There is wide diversity as to the purpose of a mission statement. Various purposes identified previously include; external public relations, motivating staff within the company, as a strategic tool to define the firm’s commercial rationale and target market, ensuring unanimity of purpose within the organisation, providing a basis for allocating organisational resources, establishing a general tone or organizational climate. The mission statement helps to facilitate the translation of corporate objectives into a work structure that involves the assignment of tasks to lower level employees of an organisation (King and Cleland, 1979). Organisational purposes need to be translated into tangible objectives in such a manner that critical success factors along with key performance indicators can be easily formulated to guide the implementation of strategies in a cost effective and efficient manner. The other purpose of a mission statement is to align the different interest groups connected to the organisation and help improve understanding and support from key groups outside the organisation (King and Cleland, 1979).

A well-crafted mission statement has been attributed the power (a) to communicate the organisation’s direction and purpose, (b) to serve as a control mechanism, (c) to guide and focus decision making, (d) to create a balance between the competing interests of various stakeholders, and (e) to motivate and inspire organisational members (Bart and Tabone, 2000; Bartkus et al., 2000). Mission statements are argued to play a vital direction-establishing role that facilitates strategy formulation and aid strategy implementation by fostering unity of purpose and team spirit (Cochran et al., 2008; Ireland and Hitt, 1992; Piercy and Morgan, 1994). Furthermore, a good mission statement exists when the elements thereof resonate and reinforce each other.

KEY ELEMENTS OF A GOOD MISSION STATEMENT
Various researchers have analysed the content of mission statements using various approaches. For example, David (1989) considered the following pre-determined nine components: (1) customers, (2) products or services, (3) location, (4) technology, (5) concern for survival, (6) philosophy, (7) self-concept, (8) concern for public image and (9) concern for employees. Peyrefitte and David (2006) argued that previous empirical studies on the contents of mission statements are still inadequate and conflicting despite the compatibility observed in definitions of the mission statement. It would appear that mission statements are used to address many purposes.

Building upon the work by Piercy and Morgan (1994) that synthesised the literature on mission statements, many good mission statements have been found to contain the vision element, including the distinctive competencies element, the product and target market, the value element, unique identity and lately the core technology that has become a cornerstone for most companies’ survival.

1. Product and Market domain
The mission statement should stipulate the products and services that the organisation is engaged in that meet customer needs and provide value. It should stipulate the markets that it intends to operate in and the customers whose needs it intends to meet. The mission statement should open up a large enough market to allow the business to grow and realize potential. These items should effectively define the scope of the organisation.

2. Technology
Nowadays, technology is what most companies use to produce and market their products. This has resulted in companies’ improved abilities to achieve both quality and cost advantage, and gaining sustained competitive advantage. By including the technology component, well crafted mission statements reassure constituencies that the company is technologically current (David and David, 2003).
3. Critical success factors

Critical success factors (CSFs) are the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the individual, department or organisation (Rochart, 1979). They are the few key areas where ‘things must go right’ for the business to flourish and for the manager’s goals to be attained. Like goals and objectives, CSFs appear at various levels in the management hierarchy. The mission statement should be unique to an organisation and a source of competitive advantage to differentiate it from others (David and David, 2003). This could be fast mail delivery as in the case of courier services, fast food delivery as in the case of fast food restaurants, etc.

4. Organisational key values

Values are a sub-set of beliefs that lie behind the company’s culture and give meaning to the norms, and guide behaviour standards in the company. Values are considered to be an enduring subset of beliefs that are particularly important and widely shared by members of society and they are learnt during the lifetime of a people. They define what is important and worth striving for. Values guide people’s behaviour in and out of work because they give order and direction to human acts and relate to solutions of common day-to-day problems (Hofstede, 1984; Rokeach, 1979). This is based on the Theory of Planned Behaviour (TPB) for predicting and explaining human intentions and behaviour (Ajzen, 2006).

Values are the widely shared notions of what is appropriate for a member of an organisation to do or not to do. Core values are the underlying principles that guide an organisation’s strategy and ideally should be intrinsic e.g. selling beauty and not cosmetics, selling energy and not just gas, etc. They do not shift as competitive conditions change but remain largely inviolate. They are what members are expected to endorse and internalize as part of working for such an organisation. They are independent of industry norms or topical management fad. They relate to such things as fair treatment, integrity, ethical behaviour, innovation, teamwork, superior customer service, corporate social responsibility, etc. They serve as the significant meaning or guiding concepts that an organisation imbues in its members. Values are the judgments about ‘the way things should be done’.

5. Organisational philosophy

This gives an overview of management’s beliefs and fundamental motivating assumptions, how they perceive the future of the organisation and how they intend to conduct their business. Philosophy is instilled not through rhetoric, but rather through daily actions. Policies and actions must be premised on these sets of beliefs. Senior management must be able to ‘walk the talk’. Unless the statement matches senior management’s behaviour, it will have little credence and may do more harm than good. It must be clear what you want to achieve, both now and in the future. However, whilst it is essential that the mission statement should contain these elements, as suggested by David and David (2003), a mission statement should not be too lengthy or too short, should not contain numbers or percentages, as they will create distractions for the reader, but should be ‘roughly right’.

Making the mission statement work for you and the company

Few managers believe that (a) their organisation is making meaningful progress in terms of realising the goals embedded in the mission statement, (b) the mission statement is well known to the rest of the organisational members, and (c) the organisational understanding, commitment, and support necessary for mission acceptance is available (Bart, 1997).

Ireland and Hitt (1992) reported factors accounting for the failure to develop mission statements and these included: the number and diversity of organisational stakeholders; the amount of work required to develop an effective statement; the tendency for some stakeholders to become comfortable with a firm’s current position; the belief that mission statements may reveal too much confidential information; the problems
encountered when top management spend the greater part of their time focusing on operational rather than strategic issues; the requirement to think as a ‘generalist’, not as a specialist, when developing a mission statement; the desire for excessive autonomy by some individuals; the historical formality of strategic planning processes.

For the most part, this inability to create an effective mission statement stems from the fact that the previous literature has provided little practical guidance on how well a mission statement should be crafted and the contents of such a mission statement, something that this paper tries to address. In addition, the paper at hand addresses these shortcomings by focusing on the elements of a good mission statement and how best to craft a good mission statement so that it can work for you and the company.

Consistent with the theory of planned behaviour, what determines whether or not individual organisational members use the mission statement will depend, in part, on the extent to which organisational members (a) evaluate the mission statement positively, (b) feel pressure from others to use the mission statement, and (c) feel confident that they understand and know how to use the mission statement (Stevens et al., 2005). The literature clearly states that ‘in order for a mission statement to be useful operationally, all employees should understand clearly how their jobs relate to the mission and to the organisations’ purpose’ (Butcher, 1994), and that ‘the effectiveness of mission statements is contingent upon the extent to which they are relevant to the daily practice of all staff members’ (Williams et al., 2005, p.314). It is, therefore, good management practice to involve organisational members when formulating a company’s mission statement so that they can internalise it. Furthermore, for better effectiveness, the mission statement ought to be supported by a carefully crafted implementation and communication plan. The mission statement serves as a communication tool to convey the organisation’s intentions to its stakeholders (Bartkus and Glassman, 2008).

The implementation and communication plan should consist of a balanced combination of formal and informal measures (Murphy, 1988). Formal methods include courses, training, information brochures, formal involvement in mission statement communication, etc. It must be very clear to employees how their jobs relate to the mission statement and how they contribute to its realisation. Informal communication methods, on the other hand, include measures such as management by example, acting as role models and abiding by the mission statement (Desmidt et al., 2008). It is recommended that managers weave the mission statement into the daily activities of the organisation through performance appraisals, routine question and answer sessions and problem-solving discussions. Thus, not only do the mission statements help organisations develop their long-term plans, but they also help organisations manage their day-to-day operations (Mullane, 2002). If properly crafted and comprising these elements, a mission statement has the potential to become one of the most important strategic tools for a company in achieving its goals.

Key contributions, limitations and areas of future research
The major contribution of this paper to literature on strategic management lies in its specific focus on the contents of a good mission statement. The crafted mission statement becomes very clear and apparent to all organisational stakeholders. It is noted that over time, the mission has evolved from an internally focused summary of the firm’s strategy to a public disclosure of the mission to all stakeholders, including organisational employees, since the employee stakeholder group has a positive significant relationship to performance. While many previous studies have addressed the topic of mission statements from an organisational perspective, rarely have they assessed how the mission statement can also be operationalised from an individual point of view.

Despite the significance and contribution of this study, a limitation of this paper is that it is only a theoretical enterprise and no empirical study was conducted as such and this is something that future research may undertake.
CONCLUSION
This paper has attempted to shed additional light on the development of a good mission statement. It contributes to knowledge in the strategic management field as regards the contents of a good mission statement by building upon work by other researchers (David, 1989; Desmidt et al., 2008; Piercy and Morgan, 1994), to include important elements of a high quality mission statements such as technology. The paper then dwells on how a well crafted mission statement can work for the organisation and all organisational stakeholders. It is recommended here that organisational stakeholders, and in particular employees, should be involved in the crafting of a mission statement. Such involvement ensures that divergent views can be revealed and resolved and mutual agreement reached (David, 2005).

The resultant mission statement should be well communicated through formal and informal mechanisms. Managers must weave the mission statement into the daily activities of the organisation through performance appraisals, routine question and answer sessions and problem-solving discussions. Such alignment of organisational procedures with the values embedded in the mission statement and clarifying their mutual connection to organisational stakeholders will increase the visibility and practical relevance of the mission statement. Therefore, managers should develop good mission statements, if the company does not have one, or review their current mission statements, if they already have one and ensure that it includes the necessary components, since there are many possible benefits from doing so.

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Risk management techniques in emerging economies: A missing link in SMEs operations (The case of Chinhoyi)

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ABSTRACT
The purpose of this paper is to examine the extent to which risk management skills and techniques affect the growth of small to medium enterprise operations. This research is based on a survey of issues and literature published in various textbooks on small to medium enterprises and entrepreneurship. Examples that are widespread in the Zimbabwean context were used. Findings points out that small to medium enterprises are failing to grow and uphold their operations as a result of lack of risk management techniques. SMEs as entrepreneurs should take planned risks and use hedging techniques where necessary to lessen the loss in the event of the occurrence of a mishap. The bulk of people, who enter into SMEs, do so as a last resort to survive subsequent to retirement, retrenchment or death of the bread winner. These usually do not have the risk management skills and techniques to operate successfully and hence a knowledge gap is created as indicated in existing situations in Zimbabwe. Given the growth rate failure of SMEs as a result of lack of risk management skills there is need for capacity building on risk awareness and management techniques.

Key words: SMEs, entrepreneurship, risk management

1. INTRODUCTION AND GENERAL BACKGROUND
Small and medium sized enterprises are considered the backbone of the economy of many countries the world over. For OECD members, the percentage of SMEs for OECD members out of the total number of firms is greater than 97 percent. SMEs provide approximately 75 percent of the net jobs added to the economy and employ around 50 percent of the private workforce, representing 99.7 percent of all employers thus showing the importance of this sector to national development in the US. SMEs can respond quickly to changing economic conditions and meet local customers’ needs, growing sometimes into large and powerful corporations or failing within a short time of the firm’s inception. SMEs are different from large corporate for many reasons from a credit risk point of view. Dietsch and Petey (2004) analyse a set of German and French SMEs and conclude that they are riskier but have a lower asset correlation with each other than large businesses. Indeed, we hypothesise that applying a default prediction model developed on large corporate data to SMEs will result in lower prediction power and more likely a poorer performance of the entire corporate portfolio than with separate models for SMEs and large corporate. SMEs are many the world over, but a very few of them transform into big companies or big organisations. A pilot survey in Zimbabwe shows that 80% of business enterprises are SMEs and that only less than twenty percent of them have successfully transformed into big enterprises since the country’s political independence (1980). SMEs have been dominating the country and one would expect that by now the big entrepreneurs should have increased in number but surprisingly one can only count very few companies that emerged from SMEs (Securico Private Ltd among them). In Zimbabwe several organisations and programmes have been designed to lend capital to small to medium entrepreneurs. These include SEDCO, Ministry of Youth Indigenisation and Empowerment as well as various banks. However very few of these have committed to designing programmes to equip these SMEs with the necessary skills and risk management. There is great need for SMEs to form cooperatives or clubs where they meet and discuss or get knowledge on the risk management principles and financial planning to help them develop their business instead of always looking for where to borrow money. Borrowing is good but without the risk knowledge and risk management skills and techniques for their respective business ventures, their efforts will be in futility resulting in business failures which locals commonly refer to as Kunyura.
1.1 Statement of the Problem
Despite the existence of various initiatives by responsible authorities, SMEs still lag behind in development and growth with many (85%) failing to survive beyond five years — even the most promising ones. Many SMEs have been struggling to repay back loans borrowed from banks and other state institutions such as SEDCO and a closer look at most of these point to poor financial planning.

1.2 Purpose of the Study
The main objective of the study is to determine the importance of risk analysis and management techniques in SMEs.
Sub objectives:
1) To find out the state of SMEs’ operations in Zimbabwe.
2) Establish challenges, if any, faced by SMEs
3) To determine the relationship between risk awareness and SMEs survival.
4) To suggest a risk management model for SMEs

2.0 REVIEW OF RELATED LITERATURE
According to OECD (2005), small or medium enterprises are the non-subsidiary and self-governing firms which employ less than a given number of employees. Jordan et al (1998) further defines small or medium sized firms by elaborating on the number of employees and turnover and he states that SMEs are firms with less than 100 employees and a turnover which is less than EUR 15 million. On the other hand, the European Commission (1996) adopted the definition for SMEs as firms with less than: 250 employees, EUR 40 million turnovers and EUR 27 million in assets (Abor and Adjasi, 2007). A number of researchers tend to define SME’s as having 0-250 employees and in Africa this number is set around the 200 mark (Ayyagari et al 2005). However, in the United States, SMEs comprise of firms with fewer than 500 employees (OECD, 2005).

However, most definitions are based on size and these use primary bases such as number of employees, financial position or annual turnover (Zindiye et al., 2008). Basing on a different fundamental, the International Accounting Standards Committee Foundation (IASCF) (2007), states that, an SME does not have public accountability and do not publish general purpose financial statements for external users such as banks and insurance entities. It establishes SMEs as entities which do not have the onerous requirement of filing their financial statements with any regulatory body for the purpose of issuing financial instruments. These entities do not hold assets in any fiduciary capacity for a group of outside investors but the owners, who usually are also managers.

Following Chapman and Cooper (1983), risk is the possibility of suffering economic and financial losses or physical material damages, as a result of an inherent uncertainty associated with the action taken. In times of crisis, companies need to carefully monitor current expenses and forecast potential costs, which could be caused by risky actions. Risk is inherent. Knowing how to identify risks, attribute a value and a priority scale, design actions and mechanisms to minimize risks, and continuously monitor them, are essential to guarantee companies’ survival and create sustainable value. This is especially true for small- and medium-sized businesses that are most exposed to the harmful effects of the risks, due to limited resources and structural features. Risk Management (RM) refers to the process of planning, organizing, directing, and controlling resources to achieve given objectives when unexpectedly good or bad events are possible (Head, 2009). The adoption of an RM methodology can lead firms to reduce the uncertainty in enterprise management, to ensure continuity in production and trading in the market, to decrease the risk of failure, and to promote the enterprise’s external and internal image. In business it is imperative to be able to present the findings of risk assessments in financial, market, or schedule terms. Robert Courtney Jr. (IBM, 1970) proposed a formula for presenting risks in financial terms.
3.0 METHODOLOGY
This study is designed to look at risk management strategies available to SMEs in Zimbabwe and to identify the one that is most explored and why. The study also wishes to further establish that good risk management practices and insurance cover can lessen their risky nature and repackage them attractively for production. To achieve this purpose, a survey of issues and literature published in various textbooks on small to medium enterprises and entrepreneurship were used. Examples that are prevailing in the Zimbabwean context, particularly based in Chinhoyi, were also used. The questionnaires were also used to obtain the views of the owners and managers of SMEs on risk management practices. A total of 660 SMEs who were in the data base for development training constituted the target population in Chinhoyi for this study. The population consisted of SMEs owners/directors and those holding decision making positions. The target population consisted of SMEs drawn from all sectors of the economy.

4.0 FINDINGS
Findings indicate that small to medium enterprises are failing to grow and sustain their operation as a result of lack of risk awareness and management techniques. SMEs as entrepreneurs should take calculated risk and use hedging techniques where necessary to reduce the loss in the event of the occurrence of the negative event. The majority of people, who enter into SMEs, do so as a last resort to survive after retirement or retrenchment or death of the bread winner. These usually do not have the risk management skills and techniques to operate successfully and hence a knowledge gap is created as indicated in prevailing situations in Zimbabwe. Given the growth rate failure of SMEs as a result of lack of risk management skills there is need for risk awareness campaigns and risk management techniques impartation to SMEs.

4.1 Challenges of SMEs in Zimbabwe
The fact that SMEs have not made the desired impact on the Zimbabwean economy despite all the efforts and support of the government is cause for concern. It underscores the fact that there exist fundamental challenges which confront SMEs but which hitherto have either not been addressed at all or have not been wholesomely tackled. A survey in Mashonaland West’s SMEs indicated some of the following challenges faced by such SMEs:

• Lack of appropriate and adequate managerial and entrepreneurial skills with the attendant lack of strategic plan, business plan, succession plan, adequate organisational set up and transparent operational system.
• Lack of initiative and administrative framework.
• Lack of suitable training and leadership development. Despite the fact that there are training institutions in Zimbabwe they rarely address the relevant needs of SMEs.
• The lack of scientific and technological knowledge sometimes called the prevalence of poor intellectual capital resources, which manifest as:
  I. Lack of equipment
  II. Lack of process technology
  III. The inability to penetrate and compete favourably in export market strategies and networks or lack of appropriate mechanism to process or preserve and package the products for export.

4.2 Risk Management status in Zimbabwean SMEs
The survey conducted in SMEs revealed no or little measures in place to help in risk management. Most SMEs tend to rely heavily on luck — there are no proper risk identification techniques, quantification as well as risk mitigating strategies. Though they have encountered some negative events, they don’t understand how one can anticipate the risks in advance, quantify and manage them. Most of the interviewed SMEs
don’t understand and appreciate the power in derivatives such as options, futures, forwards as well as swaps in countering the occurrence of risks. Though most SMEs at times match their receipts against outflows, they seemed not to understand its power in risk management. They only thought that it was only necessary during the Hyperinflationary environment of 2005-2008 and not the current multiple currency, thus they don’t appreciate the power in matching in this current set up especially those cross border SMEs, where a number of currencies are normally exchanged. Further, SMEs surveyed indicated that they do not know anything about leading and lagging payments and receipts and how these aspects can be used to manage risks in operations. SMEs seemed not to understand the importance in taking calculated risks, though they seemed to be very creative (intuitive) — they cannot integrate both the right brain (intuitive) and the left brain (cognitive thinking-logical), thus limiting their effectiveness in their entrepreneurial aspirations. A further analysis revealed that most SMEs are influenced on what to undertake without necessarily assessing the risk associated with a business venture.

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS
5.1 Risk Management Model for SMEs
Enterprise Wide Risk Management is the latest trend and buzzword for an overall approach of the management of risk as a whole in business. EWRM is a process through which a business entity optimises the manner in which it takes risks. It is not seeking or avoiding risk, but optimising the risk. Hence putting in place an EWRM makes good business sense. Any successful implementation of EWRM framework needs to take into consideration the integration of Enterprise Resource Planning system (ERP) so as to effectively manage the risk across the organization, facilitating the integration of the various roles to manage the same efficiently. In the light of advancement in information technology, power of computation and sophistication of risk analysis on interest rate, market fluctuations, availability of extensive database as well as information flow, the scope for putting in place an enterprise wide risk management framework has become more a necessity than a luxury for all the business enterprises.

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Challenges in the role of the travel agent in tourism in Zimbabwe

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ABSTRACT
Travel agents are key elements in the distribution chain of the travel products. However, changes in characteristics of the consumer, growth of use of Information Communication Technology (ICT) and the popularity of the internet as a product distribution platform, have all led to the weakening of the role of the travel agent. Travel agents in Zimbabwe have also been affected by the prevailing global trends. The aim of the study is to investigate and evaluate the survival strategies that have been employed by travel agents in Zimbabwe. The study used a mixed method approach with the questionnaire as the key data gathering instrument. 150 travel agents were investigated. The study revealed that survival strategies being used include product diversification and establishment of internet presence. It is recommended that the travel agents develop and implement consistent staff training programmes, improve internet platforms and create effective one stop shops for the travellers.

Key words: Internet, tour operator, tourism, travel agent, Zimbabwe

1. INTRODUCTION
Travel agency is a retail business that sells travel related products to customers on behalf of the suppliers such as airlines, car rentals, cruise lines, hotels, railways and tours operators, (Bennet et al, 2001). It can also simply be defined as a business or someone who acts on behalf of a travel and tourism producer such as hotel, airliner or tour operator. The travel agents can be grouped into two categories; the multiples and the independent. The former comprises of national chains which are owned by international conglomerates like Thomson Holidays whilst the later are usually family owned small and medium sized enterprises (SMEs) (Sosa, 2005). Traditionally, a travel agent sells the producer’s services to final consumers and receives, in return, an agreed commission on each sale. This implies that the travel agent does not take ownership of the service/product being offered.

1.1 BACKGROUND
The tourism industry has experienced major evolutions since the growth of mass tourism during the 1960-1970 period which has weakened the traditional role of the travel agent in the product distribution chain. The evolution has encompassed changes in the characteristics of the customers, changes in the types of products on offer, changes in supply chain characteristics, growth of innovations in the value chain and gradual changes in the enterprises business model. The changes in the traditional channels of distribution became evident in 1990 (Karcher, 1996; Poon, 1993). One of the major drivers of change in the distribution chain has been the growth and adoption of information, communication technology as a key tool for product distribution and for communicating with potential customers (Alford, 2007; Buhalis and Soo, 2009). The internet has become a convenient virtual market place where suppliers and customers can directly transact (Syratt, 1996). Gosh (2000) postulates that the internet fuelled the development of Centralized Reservation System (CRS) and Global distribution system (GDS). This has pushed intermediaries out of business as the travel information is readily available online or on the suppliers website thus there is little incentive to seek the services of the travel agent. For example, South African Airways on its website www.flysaa.com has a platform where travellers can book and pay for their tickets. This is the case with most service providers across the world, ranging from hoteliers, car rental companies to tour operators.
1.2 Problem Statement
The use of virtual platforms by principals for selling their tourism products has resulted in the total elimination of the commission to travel agents provided by airlines. This has resulted in a drop of the total revenue earned by travel agents worldwide. Travel agents in Zimbabwe have also been affected by the changes that are occurring at the global level. For example, between 2007 and 2011, South African Airways experienced a decline of 23% revenue being generated by travel agents, with the number of travel agents dealing with the airline dropping from 74 to 43 during the same period (South African Airways Internal Revenue Journal, 2011). The purpose of this study was to identify the challenges being encountered by Zimbabwean travel agents and to recommend strategies that will assist them in ensuring long term sustainability.

1.3 Objectives of the Study
The objectives of the study were:

- To identify and explain the challenges, if any, being faced by the travel agents in Zimbabwe and show how they are affecting business efficiency;
- To explore survival strategies that are being used by travel agents in Zimbabwe;
- To critique the product and services being currently offered by the local travel agents.
- To offer recommendations that will assist in ensuring the sustainability and profitability of the travel agents in the country.

2. LITERATURE REVIEW
According to Sosa, (2005) there are two types of travel agents. One is the traditional, multi-destination, out-bound travel agent based in the source market. The other is the destination focused; inbound travel agent that is based in the destination. It is now common for the large mass-market tour companies to purchase a controlling interest in a chain of travel agents in order to control the distribution of the product (Horner, 1996). Independent agents usually cater for a special or niche market, such as the needs of residents in an up market suburb or a particular group interested in a similar activity such as sporting events. Horner (1996) adds another category, the implant travel agent, which are travel agents that are based at the offices of the corporate customer.

2.1 Challenges faced by travel agents
The traditional importance of the travel agent as a retailer in the travel industry has been diminishing over the years. According to Buhalis (2007), the tourism and hospitality industry has digitalized most of its operations using technologies like the Central Reservation Systems, Global Distribution Systems and the internet. This has had both positive and negative impact on the travel agency business as a whole. Grossman (2007) argues that the introduction of e-tickets by airlines was a critical move as it was no longer necessary to rely solely on travel agents for tickets. The introduction of the technology also paved the way for online reservations. This point is further highlighted by Buhalis and Law (2007) who indicate that online bookings can yield up to seven per cent savings and are attracting price sensitive customers. This has seen the travel agent being bypassed more by customers as the product is now cheaper and more accessible if purchased through the principal’s virtual platform.

Besides reduction of prices online, reservations tools also enable airlines to use dynamic pricing, a practice for which the airline industry is notorious for. According to Bawany (2010), this includes discounts on early bookings or non-changeable itineraries, red-eye flights (departing late at night) and further sub-classing within the business and economy class. Such dynamic pricing allows consumers to balance their own ticket features and pricing. Since all this can now be achieved through technology, the travel agent’s work has been greatly undermined.
Across the world, airlines have been reducing and eliminating commissions (Hudson 2008). In 2002, Delta Airlines announced a zero commission base for USA and Canada. After a few months, United Airlines, American Airlines, Continental Airlines, Northwest Airlines, US Airways and American Trans Air joined Delta Airlines and also went for zero commission bases. Such reductions in commission have reduced the total profits earned by the travel agents. They have had to charge extra for the products and services they sell in order to make their own profits. To try and add their revenues, the agents now charge service fees or charge for their consultation and expertise. This makes the purchase of travel products from the travel agents more expensive in comparison with buying from the principal directly.

According to Scherller and Buhalis (1999), the initial cost of setting up an information and computer technology in a business, is reasonably expensive. The components of the information and computer technology system is made up of various software, hardware and NetWare, which are expensive to buy and install as it requires expert knowledge to assemble and operate. In the travel agency business, the machines need to be compatible with modern versions of software that operate the various CRS and GDSs and other internet based operations. All this requires substantial amounts of money and in many cases; the small travel agent companies cannot afford such heavy investments.

Easy accessibility of information to clients and easy price comparability through websites has, according to Werthner and Klein (2005), caused great challenges for the contemporary travel agent as the 'new tourist' seeks the maximum value for money. Websites like Kelkoo.com provide comparisons of various travel and tourism products. This state of affairs exposes the travel agents as their prices are in most cases higher than those being charged by the product provider. Furthermore, the product providers in most cases charge less for all purchases that are done online. The travel agent is viewed by customers as offering exorbitant prices and is therefore shunned by the potential clients.

The tourism market is now characterized by a new tourist who has great product knowledge so much so that he knows almost the same if not more than the travel agent. He is well travelled and researches on the internet. In order for the travel agents to capture the new tourist, it is critical to invest in research and market knowledge so that they are able to fully cater for the needs of such clients.

In Zimbabwe, a lot of market entry barriers have been lifted and many small players have found it easy to come in and establish their own operations. This has caused a serious challenge for the established travel agents as they now have to share the small market with more players as the product has high substitutability. This has seen travel agents spending more on advertising and educational tours so that they produce the best service as per clients’ request.

2.2 Factors assisting the survival of travel agents

Although travel agents have been threatened by the existence and improvements in technology, chance of survival still exists due to various factors.

According to Schmoll (2005) the fact that ICTs are connected to the internet through fixed lines and other technologies means that they are prone to hacking by unscrupulous individuals or businesses if the security is not very strong. Hand in hand with this challenge is the fact that a large part of the travel market is not yet confident in using ICTs and the virtual platforms for purchasing their holidays,( Sosa :2005). Segregation of clients has also resulted from over digitalization of business (Rheingold; 1993). The over digitalized organizations fail to realize that there are people who have a phobia for technology who therefore shun accessing computer based products and services.

According to Horner (1996), the aged and visually impaired are slowly becoming a viable source of business that will be missed out if travel agents are operated on the internet fully. Furthermore, it has been discovered that only those people who have visited a particular website for more than five times are the ones commonly in a better position to purchase the products being sold there. Hence the travel agent still has a chance for survival if he/she is able to cater for the segregated groups in the market.
3. METHODOLOGY
3.1 Research design
The study used both the qualitative and quantitative methods in conducting the research. This was considered the most appropriate approach because of the nature of the investigation that was being undertaken (Creswell, 2009; Dowson, 2009). This was due to the fact that the study needed to understand the characteristics of the challenges that the Zimbabwean travel agents were encountering in their activities and at the same time the study needed to gather quantitative data on the operations of the travel agents business in the country.

3.2 Target population and sampling procedure
The sampling framework used for the study is the International Air Transport Association (IATA) national register of travel agents that is kept by Zimbabwe Tourism Authority (ZTA). The study used a combination of probability sampling and non-probability sampling in selecting participants for in-depth interviews and the companies to whom survey questionnaires were administered. In-depth face to face interview were conducted with 30 participants from randomly selected travel agents in Harare. In addition, telephone interviews were conducted with 20 management and shop floor staff of travel agents located in the major cities of Bulawayo, Gweru, Mutare, Masvingo and the resort towns of Victoria Falls and Kariba.

70 questionnaires were emailed to randomly selected travel agents in Bulawayo, Gweru, Mutare, Masvingo, Victoria Falls and Kariba. 80 questionnaires were physical administered to travel agents in Harare. A total of 150 (N=150) questionnaires were therefore sent out to travel agents through the email and through physical delivery to the participants. In all, a total of 50 completed questionnaires were returned. A response rate of 33% on the questionnaire survey was therefore achieved. According to Jennings (2001) the best response rate for mail survey questionnaires is between 25-30%.

Secondary data from published articles in journals, books and the internet was widely consulted.

3.3 Data analysis
Data from the in-depth interviews with participants was content analysed whilst the data gathered through the survey questionnaires were processed through the Statistical Package for Social Science (SPSS).

4. RESEARCH FINDINGS
4.1 services offered by Zimbabwean travel agents
Figure 1: Summary of services offered by Zimbabwean travel agents.
From the graph above, it is clear that all the travel agents in the country focus on reservations and issuing of tickets as their main business. The finding confirms that the major duty or role of the agents in Zimbabwe is basically making reservations and selling tickets of various principals which include airlines, hotels, coaches and cruises. All the other activities work to complement this main function.

The percentage of the respondents who confirmed that they offer foreign exchange services to their clients was 61.4%. The travel agents are either affiliated to some financial institution they deal with when trading in foreign exchange or they have their own in house foreign exchange facilities. Participants who do not undertake trading in foreign currency indicated stringent registration regulations and high capital outlay as key barriers for their entry into the business.

Out of the 50 travel agents who completed the questionnaires, 83% confirmed that they sell travel related products. The travel ancillaries being sold include maps of different destinations, general clothing with images of the destination, branded umbrellas and travel bags. From the in-depth interviews, it was clear that these activities help to increase the total revenue that the travel agents earn in each year. Most travel agents indicated that the sale of travel related products constitutes roughly 15% to 30% of their total yearly revenues. With regard to insurance, 74.3% of the participants indicated that this was a major service they offer to clients. From the interviews conducted with the management of the travel agents, it was however pointed out that travellers had a culture or had grown used to the idea of travelling without insurance so much so that they viewed the purchase of travel insurance as non-vital. It was also pointed out that the travel insurance was being offered in partnership with some well-established insurance companies like Nicoz Diamond whereby the travel agents provide expertise on the travel activities and insurance required and the insurance company provide expertise on the package to be offered.

Visa processing is the fifth key service offered by travel agents to their clients. As indicated in figure 1 above 85.7% of all the respondents offer this service. From the in-depth interviews carried out with top management from these organizations, it was noted that most agents are making money out of this activity. This was attributed to the fact that a traveller stands a better chance of getting a visa when it is processed through the travel agent as he is well versed in the processes and the requirements of different countries to which the applications will be made. It was further pointed out that travel agents have well established networks within the different embassies which make it easier to get visas processed without encountering too many technical and bureaucratic bottlenecks.

4.2 Market composition the travel agents
Table 1 below shows clientele groups that are bringing business to the travel agents.

<table>
<thead>
<tr>
<th>Clientele</th>
<th>Young travellers</th>
<th>Family travellers</th>
<th>Business travellers</th>
<th>Individual travellers</th>
<th>Honeymooners</th>
<th>Elderly travellers</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Frequency</td>
<td>58.6</td>
<td>91.4</td>
<td>92.9</td>
<td>91.4</td>
<td>55.7</td>
<td>50.0</td>
</tr>
</tbody>
</table>

4.2.1 Business travellers
From table 1 above, it is clear that the majority of business that comes through to the travel agents in Zimbabwe is mainly from business travellers. 92.9% of the travel agents who participated in the study agreed that business travellers made up the largest component of their clientele. According to the marketing manager of one of the travel agent companies, the business traveller normally does not have the time to search for travel products and make his own travel arrangements. This is a time consuming process and he resorts to the use of the services of the travel agents who will make all the necessary arrangements for him a fee.
4.2.2 Family travellers
The study further showed that the family travellers are the second biggest group that is bringing business to the travel agents. 91.4% of the respondents agreed that they get business from family travellers. According to Schmoll (2005), the family travellers prefer to plan all their holidays in advance, especially where young children are involved. They want to ensure that everything is done properly and they require the expertise of the travel agents. According to a manager at one of the travel agents interviewed, these travellers put all their trust in dealing with an individual who will assure them that their travel is well planned.

4.2.3 Individual travellers
91% of the respondents indicated that they get business from individual travellers. It was pointed out that the majority of the individual travellers who purchase their products through travel agents were mainly inexperienced travellers who lack information about the destinations they were travelling to. They required the travel agents to organize everything for them from the flight tickets, airport transfers, the visas arrangements to the foreign exchange purchases.

4.2.4 Young travellers
Only 58.6% of the respondents confirmed getting business from young travellers. There were a number of reasons that were suggested on why there was a low level use of the services of travel agencies by young travellers. It was pointed out that the country had a high unemployment rate of young people and hence holidays were the last thing that this group of the population was thinking about. It was further pointed out that the country’s young people have high ICT literacy rates and those that were fortunate enough to have disposable income would prefer to access these products via the internet.

4.2.5 Honeymooners
Respondents to the study indicated that this was a market segment that was gradually growing in the country. 55.7% of the sampled agencies indicated that they were offering service to honeymooners. More and more people are now taking some time out after their weddings for the honeymoon. As the honeymoon takes place immediately after the wedding, the couple will be so tied up with the wedding preparations that they will not have time to look for the destination and make travel arrangements for their holiday and they seek the services of travel agents.

4.2.6 Elderly travellers
50% of the travel agents who participated in the study indicated that they derive some business from the elderly. However, it was pointed out that the level of business from this group was low as most of the pensioners in the country have very low income. It was further pointed out that those who take holidays were being financed by their off springs who are in the Diaspora. In the majority of cases, the off springs deal directly with the travel agents in terms of making the necessary bookings and payments. The travel agent then contacts the clients and gives them the necessary documentations for the trip.

4.3 Impact of ICT on travel agents business
98.6% of the participants agreed that information technology has seriously impacted on the level of business being transacted through travel agents.

Figure 2 below shows the perceptions of the travel agents on clients’ use of the internet for sourcing information on holidays and other travel services.
According to 90% of the participants, travellers are now using the internet to source for their holiday requirements. 95.7% of the respondents indicated that the use of the internet gave the traveller more time to search for his holiday requirements as the internet is available 24 hours a day. This is unlike the office of a travel agent which opens at 0800am and closes at 16.30. The customer finds greater convenience in using the internet as he can access it at any time that is appropriate to him even within the comfort of his own home.

The internet is presenting a platform where the product suppliers like the airlines and hoteliers can interact with their clients without having the travel agents intermediating. Principals are therefore able to offer their products and services at a relatively cheaper price. For example, clients booking flights on the South African Airways website get a $35 discount. At the end of the day, the travel agent who in most cases includes service charges, end up being more expensive and is less preferred by the travellers. Hotels and tour operators also offer cheaper products online. Given these circumstances, the travel agent is slowly getting eliminated from the tourism value chain.

While the travel agents interviewed were agreed on the fact that there was a growing use of the internet by potential clients, they differed on how far the internet will become the key source of information on holidays for clients. 20% of the participants argued that although the mentioned options are available on the market, they will not render the travel agent obsolete because not everyone has the ability to go and directly interact with the principal on their website. It was pointed out that while more and more people now resort to the internet for the travel planning, there is still a market segment made up of the elderly, business travellers, and first time travellers who are still sceptical about transacting online. With such a market segments still available, it was argued that the travel agent will always be in business because these require the service and assurance of the agents and prefer human to human interaction.

Figure 3 below shows the different types of information that is being sourced by travellers from the internet as perceived by travel agents that participated in the study.

The participants highlighted a number of other factors that were contributing to reduction in their business. These included, among others, the following:

- Poor customer service;
- Staff lack of product knowledge;
- Competition from principal product suppliers;
- Perception of products offered being expensive; and
- Stringent regulatory frameworks
4.4 Travel agents business trends
Various opinions were given by the management staff of different travel agents. Figure 4 below shows the different opinions expressed on the issue of current business trends.

While the majority of the participants indicated that business for the travel agents is decreasing, some respondents were of the view that the business had stagnated. Less than 10% of the participants indicated that the business trend was upward with less than 5% of the participant indicating that they were not sure.
4.5 STRATEGIES BEING USED TO REMAIN IN BUSINESS
For any business to be sustainable, it needs to operate within the confines of a strategy. A number of strategies are being used by the Zimbabwe travel agents in order to ensure sustainability and profitability. These include the following:

- Diversification into other products like car renting and tours;
- Offering flexible payment plans;
- Focusing on good customer care;
- Reduced service charges;
- Undertaking intensive marketing;
- Implementing efficient staff training programmes;
- Improvement of customer communication;
- Undertaking more research on the products they sell; and
- Setting up internet presence.

The majority of the strategies being implemented are on an ad-hoc basis in response to the present challenges. Although some of the strategies have met with some success, it is critical that the travel agents adopt a more systematic approach to dealing with the current challenges in order to ensure their long-term sustainability.

5. CONCLUSION
Travel agents in Zimbabwe are facing a declining clientele base due to a number of factors which include; the growing use of the internet, removal of commissions by principals, competition from the principal product providers and inability to offer customers value for money services. In order for the travel agents to retain clients and ensure long-term sustainability, they will need to implement effective and innovative operational and marketing strategies.

6. RECOMMENDATIONS
i. Travel agents enterprises need to implement continuous staff training so that employees are up to date with the technological changes that are occurring in the industry.
ii. The travel agents that currently do not have websites should ensure that these are established. Internet platforms are no longer options for organizations in the travel industry. They are a must as the majority of travellers are now internet literate and the numbers are growing daily.
iii. Travellers expect to find a wide range of products when they visit a travel agent. It is therefore important that the travel agent provides an adequate one stop shop with a wide range of products and information that the potential client may be looking for.
iv. Given the liquidity challenges that the Zimbabwean economy is facing, travel agents should provide clients with innovative payments plans. For example, this could include a fly now pay later scheme where the client travels now and settles his debt over an agreed period after the holiday. Similarly, travel agents may offer their client a lay-by payment plan whereby the client pays an agreed amount every month until the total price for the holiday has been paid up after which they can go on their holiday.

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Financial distress and its repercussions on the manufacturing sector in Zimbabwe

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ABSTRACT
The study focuses on establishing the causes of financial distress and its impact on the performance of firms in the manufacturing sector in Zimbabwe. The sector plays critical roles in the economy through its linkage to agriculture, GDP, export earnings and employment creation. The study was based on 140 sampled companies in the sector. The findings revealed that there is evidence that the firms in the sector are financially distressed, which is caused by; cost and shortage of capital, cost of importing raw materials, inadequate and costly infrastructure (power and water). Financial distress resulted in deteriorating company performance, company closures, job losses and failure to service loans from banks by companies. The study concluded that the majority of firms in the manufacturing sector are financially distressed and such distress has negative effects on company performance. For the solutions to the problem, the study recommended that firms should raise cheaper capital from other sources other than borrowing, invest in new technology and close under-performing units. The government should also play its part through rehabilitation of infrastructure (power and water), implementing protectionist measures to protect local firms, provide cheap and long term finance and revamp local value chains.

Key words: Financial distress, bankruptcy, performance, manufacturing sector, company closures

1. INTRODUCTION
This study focuses on the repercussions of financial distress on manufacturing firms in Zimbabwe. Financial distress or economic bankruptcy is often described as one of the three circumstances as alluded to by Pastena and Ruland (1986, p.289). These are: (i) the condition of negative net worth, (ii) the inability to pay debts as they come due (insolvency), and (iii) a legal definition under which a firm continues to operate or liquidates under court protection (legal bankruptcy). Donaldson (1986) and Giroux and Wiggins (1984) stress on the belief that firms tend to enter a cycle of financial distress years before bankruptcy is declared and that various economic events occur during this period before bankruptcy. For example, loan default often occurs up to three years before bankruptcy (Giroux & Wiggins, 1984).

Previous studies have attributed financial distress to a number of factors that include: economic turbulence, change in demand, high debt, restrictive monetary policy, high interest rates, inadequate capital structure and poor financial management (Pompe & Bilderbeek 2005; Denis & Denis 1995; Sheppard & Chowdhury, 2005; Segarra & Callejo, 2002). Financial distress and bankruptcy are disruptive and costly and these two have got a very huge impact on the employees, shareholders, customers, suppliers, communities and the financial entities.

The objectives of the study were to establish the causes of financial distress and its impact on the performance of the companies with particular attention to the manufacturing sector. This was necessitated by the need to proffer solutions for the struggling companies as there is evidence that corporates are battling to remain afloat. Since 2011, a total of 458 companies closed shop in the manufacturing sector, rendering 9,988 people jobless. Companies are also operating at low capacity with the CZI manufacturing sector survey for 2014 concluding that machinery usage stood at 36.9% from 39.6% in 2013.
1.1 Background

1.1.1 Background to Zimbabwean economy

Zimbabwe’s economy remains in a fragile state, with an unsustainably high external debt and massive deindustrialisation. The past decade has also seen the informal sector growing rapidly. The average GDP growth rate of 7.5% during the economic rebound of 2009-12 is moderating. In the recent 2014 mid-term fiscal policy the Minister of Finance projected GDP growth rate to be around 3%. This economic slowdown is due to a host of challenges as identified by the African Development Bank (2013) which include tight liquidity, high cost of capital, outdated technologies and reduced product demand has also declined in line with disposable incomes and influx of imported products. There are also structural bottlenecks that include, poor management, power shortages and infrastructure deficits, corruption and a volatile and fragile global financial environment.

The constrained fiscal space has forced the government to adopt a contractional fiscal policy stance, while the use of the multi-currency regime limits the use of monetary policy instruments. World Bank (2004), noted that the recovery of the economy remained uncertain as a number of issues continued to hold back prospects for sustainable economic growth and these issues relate to the:

- easing of international prices of minerals
- unbalanced external position
- liquidity challenges and very high real interest rates on short-term credit
- ballooning wage bill in the public sector and the possible fiscal slippage
- ailing and deficient infrastructure (lack of resources to rehabilitate infrastructure) and unreliable power supply
- possible compression of exports on the back of the still fragile global economy
- potential destabilizing effects of the indigenization program on the economy, and
- disorderly unwinding of vulnerabilities in the banking sector.

As shown by table 1 below, inflation trends maintained an upward momentum during the Zimbabwe dollar era, reaching 231 million percent in 2008.

<table>
<thead>
<tr>
<th>Year (ZWD Era)</th>
<th>Inflation</th>
<th>Year (Multi-currency regime)</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>132%</td>
<td>2009</td>
<td>-7.7%</td>
</tr>
<tr>
<td>2005</td>
<td>586%</td>
<td>2010</td>
<td>3%</td>
</tr>
<tr>
<td>2006</td>
<td>1282%</td>
<td>2011</td>
<td>4.9%</td>
</tr>
<tr>
<td>2007</td>
<td>66212%</td>
<td>2012</td>
<td>2.9%</td>
</tr>
<tr>
<td>2008</td>
<td>231150889%</td>
<td>2013</td>
<td>0.33%</td>
</tr>
</tbody>
</table>

Source: Zimstat (2014)

The introduction of the multicurrency regime in 2009 resulted in sharp drop in the inflation figures to single digits. As the trend shows in Table 2 below, the Zimbabwean economy is slowly moving into deflation. Crotty (2002) defines deflation as a decrease in the general price level of goods and services. Table 2 below highlights the negative inflation figures Zimbabwe has experienced since February 2014 at -0.49%. The table shows continued negative inflation figures until June 2014.
Table 2: Zimbabwe month on month inflation trend for period Jan 2014-Jun 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>All Items CPI</th>
<th>Monthly Price Increases</th>
<th>Year On Year Price Increases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Jan</td>
<td>100.48</td>
<td>0.14%</td>
<td>0.41%</td>
</tr>
<tr>
<td></td>
<td>Feb</td>
<td>100.53</td>
<td>0.05%</td>
<td>-0.49%</td>
</tr>
<tr>
<td></td>
<td>Mar</td>
<td>100.30</td>
<td>-0.22%</td>
<td>-0.91%</td>
</tr>
<tr>
<td></td>
<td>Apr</td>
<td>100.89</td>
<td>0.58%</td>
<td>-0.26%</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>100.75</td>
<td>-0.13%</td>
<td>-0.19%</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>100.73</td>
<td>-0.03%</td>
<td>-0.08%</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>100.74</td>
<td>0.01%</td>
<td>0.31%</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>100.43</td>
<td>-0.31%</td>
<td>0.15%</td>
</tr>
</tbody>
</table>

Source: [http://www.rbz.co.zw/about/inflation.asp](http://www.rbz.co.zw/about/inflation.asp) (2014)

The negative inflation figures are as a result of tight liquidity in the economy (Chinamasa, 2014). The liquidity crunch which is affecting the economy is expected to continue and as a result financial assistance from the banks to manufacturing companies continues to shrink. The business thus needs a high cash turnover in order to meet its short term needs. The cash conversion cycle needs to be monitored tightly as debtors days continue to increase. Disposable income has also been affected with many people losing their jobs. The July 2013 National Social Security Authority (NSSA) Harare Regional Employer Closures and Registrations Report for the period July 2011 to July 2013 shows that 711 companies in Harare have closed down, rendering 8336 individuals jobless.

1.1.2 Gross Domestic Product

In response to the stable and favourable economic conditions that included single digit inflation and stable currency, the country has achieved a positive GDP growth from a persistent negative growth that the country experienced prior to the multi-currency regime.

Figure 1: Zimbabwe GDP growth rates for period 2002 to 2013

Figure 1 shows an upward trend in growth rates from 2009 to 2011. It is important to note that the growth rate has been slowing down from 2012 onwards and this could be partly explained by the slowdown in the growth of key sectors such as manufacturing and agriculture.
1.1.3 Exports and Imports-Trade
The decline in performance of the key sectors of the economy has resulted in a supply gap in the economy resulting in imports growing faster than exports. As shown in Fig 2 below, imports have been growing faster than exports since 2008 to date.

Figure 2: Imports and exports growth

Source: Ministry of Finance and Economic Development (2014 Budget)

The growing trade gap has in turn increased the current account deficit balance as depicted by Figure 3 below.

Figure 3: Zimbabwe trade surplus/deficit

Source: Ministry of Finance and Economic Development (2014 Budget)

1.1.4 Manufacturing sector
1.2.4.1 Growth
The manufacturing sector plays an important role in the economy of Zimbabwe. The sector contributes significantly to GDP, export earnings and employment. It is well diversified and has strong synergies with other sectors of the economy particularly agriculture, mining, services and construction.

Growth in the sector has been slow owing to a plethora of manacles besieging the sector. The year 2009 registered a high growth of 17% as activity was coming off a low base. Growth in 2012 and 2013 was low at 2.3% and 1.5% respectively. The Ministry of Finance (2013) highlighted tight liquidity as the main reason...
for the slow growth. Projections for 2014 and 2015 are highly optimistic at 3.2% and 6.5% based on the assumption that liquidity flows would have improved in the local market which is highly unlikely.

![Slackening Growth Rate](image)

Source: MoF (2013), RBZ (2014) and Zimstats (2014)

Companies are facing a host of challenges in a bid to keep their businesses afloat. A study by the CZI survey of 2013 highlights seven key constraints to the operations of firms in the manufacturing sector. These include; working capital constraints, low aggregate demand as well as strong competition from imports. Use of Old machinery, unreliable supply of utilities such as electricity and water, shortage of key raw materials together with the high cost of doing business are the other challenges. Table 3 below highlights findings from the CZI 2013 manufacturing sector survey.

### Table 3: Major Business Constraints.

<table>
<thead>
<tr>
<th>Constraint</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working</td>
<td>40.20</td>
</tr>
<tr>
<td>Low Demand</td>
<td>17.60</td>
</tr>
<tr>
<td>Import Competition</td>
<td>12.50</td>
</tr>
<tr>
<td>Antiquated Machinery</td>
<td>9.80</td>
</tr>
<tr>
<td>Unreliable Utilities</td>
<td>8.80</td>
</tr>
<tr>
<td>Shortage of Raw Materials</td>
<td>5.90</td>
</tr>
<tr>
<td>High Cost Structure</td>
<td></td>
</tr>
</tbody>
</table>

Source: CZI 2013 Manufacturing Sector Survey

Evidence from companies listed on the Zimbabwe Stock Exchange also supports the view that manufacturing companies are experiencing financial distress. Under financial distress, a firm’s income is not enough to pay back what it has borrowed (Carter & Auken. 2006). Since the adoption of multiple currencies, five major companies (Chemco, Cairns, Steelnet, Caps and Gulliver) have been delisted from the local bourse owing to viability challenges. In addition to delisting, some companies have gone into liquidation and judicial management.
1.2.4.2 Capacity utilization

Capacity utilization refers to the extent to which an enterprise or a nation actually uses its installed productive capacity. It also refers to the relationship between actual output that is produced with the installed equipment and the potential output which could be produced, if capacity was fully used another day (Crotty 2002).

Since the adoption of the United States dollar in 2009, capacity utilization in the manufacturing sector had been on an upward trend before dipping in 2012 and 2013. In 2009, capacity utilization rose to 30% from 10% in 2008, a further improvement was recorded in 2010 and 2011 when machinery utilization closed the year at 43.7% and 57.2% respectively. Thereafter, it declined to 44% and 39.6% in 2012 and 2013 respectively. Estimates for 2014 have shown that capacity utilization might close the year at 30%. The graph below illustrates trends in capacity utilization since the adoption of multiple currencies:

Figure 5: Capacity Utilization.

Source: CZI Surveys (2013)

1.3 Problem Statement

Since the adoption of multiple currency regime in March 2009, the majority of companies in the manufacturing sector continue to struggle as evidenced by low levels of capacity utilization. The CZI 2014 manufacturing sector survey concluded that average capacity utilization declined to 36.3% from 39.3% in 2013. Some companies are operating at capacity levels as low as 10%.

A number of firms are failing to service their debt obligations and this has resulted in the number of company collapses going up. Some which were once good performers have gone into judicial management, some are being liquidated and others have negotiated schemes of arrangement with creditors. About 458 companies in the manufacturing sector have closed shop and a total of 9,978 employees were retrenched for the period between 2011 and 2014. The net effect of all this is the spike in the level of non-performing loans in the banking sector. These challenges are impacting negatively on economic growth. Contribution of the sector towards GDP has decreased. Closure of companies also impacted negatively on income and corporate tax flows to Government. The purpose of this study was, therefore, to identify the causes of financial distress as well as to analyse its impact on the performance of manufacturing firms.

1.4 Objectives

The study seeks to achieve the following objectives:

- To identify the causes of financial distress;
N. Kaseke

- To establish the implications of financial distress to the manufacturing sector; and
- To proffer solutions to the problems causing financial distress

2 LITERATURE REVIEW

Financial distress and bankruptcy has mostly been interpreted to mean the same thing. Platt (2006) distinguished the two when he said companies in bankruptcy must work through the courts to restructure their operations and or financial structure to emerge from the process as a viable company whereas companies in financial distress, by contrast, are not yet so severely disabled that legal recourse is required. When a company is financially distressed, it can take necessary steps to remedy its precarious situation and such actions include hiring turnaround managers, disposing of assets, and improving the working capital management (Hofer, 1980).

The literature on financial distress usually tends to put more focus on the examination of financial restructurings or the management turnover (John, 1992). Hill et al. (1996) moved beyond just bankruptcy so as to also consider multiple states of corporate decline which include financial distress. A more recent example was a multi-industry financial distress model for the US companies by Platt and Platt (2006) where they found that companies may experience financial distress as a result of poor operating results or as a result of the consequences caused by external forces whereas bankruptcy has been termed as an action that companies take to protect their assets often as a result of balance sheet issues.

Platt (2006) summarises the known academic descriptions of financial distress as:

- Evidence of layoffs, restructurings, or missed dividend payments, used by Lau (1987).
- A low interest coverage ratio, used by Asquith, Gertner and Scharfstein (1994).
- Cash flow less than current maturities of long-term debt, used by Whitaker (1999).
- The change in equity price or a negative EBIT, used by John, Lang, and Netter (1992).
- Negative net income before special items, used by Hofer (1980).

2.1 Causes of Financial Distress

A case study by Lizal (2006) on financial distress based on the Czech Republic reviewed three models that were used to determine the causes of distress and these are: (i) the Neoclassical model which reviewed that wrong mixture of assets and inappropriate allocation of assets can cause distress. (ii) the Financial model which reveals that the right mixture of assets but wrong or bad financial structure with liquidity constraints can cause financial distress and (iii) the Corporate governance model which reveals that the right mixture of assets and financial structure but is badly managed can cause financial distress. Here the x-inefficiency theory then drives the firm out of the market as a consequence of unsolved problems in corporate governance.

Theodossiou et al. (1996) and Whitaker (1999) provide some evidence that financial distress arises in many cases from endogenous risk factors, such as mismanagement, high leverage, and a non-efficient operating structure in place. Bibeault (1982) examines the proportion of every risk factor of financial distress and revealed five significant sources of external causes which are: economic change, competitive change, government constraints, social alterations and technological change. Bibeault’s survey of 81 companies reflected that about 41% of the companies experience declining performance as a result of bad macroeconomic conditions, 31% of the firms are subject to distress because of a changing competitive environment, 13% face regulatory restrictions on expansions in strategic sectors of the economy and 15% suffer because of social or technological change. His overall survey result shows that 80% of all cases of financial distress emanated from the management factor, namely managerial incompetence. Altman (1983) reported that management inadequacy is the main source of financial distress.

2.2 Implications of Financial Distress

Highlighting more on the implications, financial distress is characterized by a sharp decline in the firm’s performance and value, a drop in sales, changes in operating income, and negative stock returns. Whitaker
(1999) reports that in early stages of financial distress, operating income falls to 46.32% below industry average. Many researchers have analysed the effect of financial distress on the competitive position of a distressed company as leading to: the market share falling substantially behind that of its rivals and below the market average, erosion of the trust of the stakeholders, the employees (the so-called intellectual capital of the firm) changing jobs to competitors and the firm stands in a liquidity squeeze thus resulting in the closure of the company, if appropriate corrective action is not taken.

2.3 The Altman Z-score Model
The model is widely recognised for assessing financial distress. The Z-score model uses several ratios to generate a prediction of the likelihood of the company going into a financial distress as well as bankruptcy (Altman, 1968). It also makes use of multiple discriminant analysis to predict the financial distress of a company. According to the rules of calculating Z-Score, there are five financial ratios which include the working capital to total assets ratio, retained earnings to total assets ratio, earnings before interest and tax to total assets ratio, sales to total assets ratio and the market value of equity to book value of total long term liabilities. The original Z-score formula was as follows (Altman, 1968):

\[ Z = 1.2T_1 + 1.4T_2 + 3.3T_3 + 0.6T_4 + 0.99T_5 \]  
(1)

Where:
- \( T_1 = \) Working Capital/Total Assets. Measures liquid assets in relation to the size of the company.
- \( T_2 = \) Retained Earnings/Total Assets. Measures profitability that reflects the company's age and earning power.
- \( T_3 = \) Earnings Before Interest and Taxes/Total Assets. Measures operating efficiency apart from tax and leveraging factors. It recognizes operating earnings as being important to long-term viability.
- \( T_4 = \) Market Value of Equity/Book Value of Total Liabilities. Adds market dimension that can show up security price fluctuation as a possible red flag.
- \( T_5 = \) Sales/ Total Assets. Standard measure for total asset turnover (varies greatly from industry to industry).

This study used the modified Z-Score model for private firms which is explained below.

\[ Z' = 0.717T_1 + 0.847T_2 + 3.107T_3 + 0.420T_4 + 0.998T_5 \]  
(2)

This model states that a score less than 1.88 shows that a company is likely to face financial distress in the near future, a score of more than 2.99 shows that a company is financially sound and therefore efforts should be put to maintain or improve the score. Score between 1.88 and 2.99 is known as a grey area where the company is neither financially sound or financially distressed, management of the companies are expected to put more efforts to make sure that the company does not fall on the negative side.

3. RESEARCH METHODOLOGY
The aim of this section is to explain the methodology used to gather the data. It looked at the research design, data collection, population, sampling and data analysis method.
3.1 Research Design
This study used both qualitative and the quantitative paradigms (AS de Vos, et al, 2012, p 63). However, Silverman (2000) argues that these two approaches are often evaluated differently and quantitative approach is more superior because it is value free. Combining both techniques makes the research as exhaustive as there are some effects that cannot be quantified but can be explained from a qualitative perspective.

3.2 Population and sampling procedure
The study analysed the manufacturing companies both listed (on the Zimbabwe Stock Exchange) and those unlisted. Stratified random sampling on the basis of industrial structural conduct in Zimbabwe was used. A total of 200 companies were considered to be representative enough.

3.3 Data Sources
This research used both primary and secondary data. Primary data is data expressly collected for the purpose at hand which is gathered directly from the elements of the population. Its advantage is that the exact information sought is obtained. The primary data for this research was collected using questionnaires and interviews. Secondary data is data that is collected from records holding the primary data (Salant and Dillman, 1994). The main sources of secondary data for this study were financial statements, monetary policy, fiscal policy, CZI manufacturing survey reports and ZIMRA reports.

4. DATA PRESENTATION AND ANALYSIS
4.1 Response Rate

<table>
<thead>
<tr>
<th>Table 4: Questionnaire Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response Rate</td>
</tr>
<tr>
<td>Number of questionnaires Issued</td>
</tr>
<tr>
<td>Number of questionnaires completed</td>
</tr>
<tr>
<td>Response rate</td>
</tr>
</tbody>
</table>

Table 4 shows that out of 200 questionnaires administered, 140 were returned well completed representing a response rate of 70%.

A more comprehensive look at the response rate is shown on a sector basis as outlined in Table 5.

<table>
<thead>
<tr>
<th>Table 5: Sub sector response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
</tr>
<tr>
<td>Food and Beverages</td>
</tr>
<tr>
<td>Cables and Electrical</td>
</tr>
<tr>
<td>Agriculture Processing</td>
</tr>
<tr>
<td>Construction and Engineering</td>
</tr>
<tr>
<td>Pharmaceutical and chemicals</td>
</tr>
<tr>
<td>Tyre, Rubber and Plastic</td>
</tr>
<tr>
<td>Steel and Wood</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
4.2 Company Size
The survey results (Table 6) revealed that the study was balanced as it encompassed companies of all sizes. From the table, 40% of companies surveyed have revenue levels above US$40 million, 25% have revenues that range between US$15 and US$20 million, 20% have revenues that range between US$10 to US$15 million and the balance generate revenues of between US$5 million and US$10 million.

Table 6: Company Size

<table>
<thead>
<tr>
<th>Revenue in millions</th>
<th>less than 5</th>
<th>5&lt;10</th>
<th>10&lt;15</th>
<th>15&lt;20</th>
<th>above 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of respondents</td>
<td>0%</td>
<td>15%</td>
<td>20%</td>
<td>25%</td>
<td>40%</td>
</tr>
</tbody>
</table>

4.3 Financially Distress
The Altman Z-scores were calculated for several companies with relevant information available from the company financial statements. Results from the research shows that companies in the manufacturing sector are financially distressed. About 60% of companies had scored less than 1.88 meaning they are financially distressed and 10% of the companies are in the grey area and the remaining 30% have a score of more than 2.99, meaning that they are financially sound and are not likely to face any financial distress in the near future. The most financially distressed manufacturing company has scored 1.12 and the most financially sound company in the beverages category of manufacturing has recorded a score of 23 and this is really a very high score. Generally, z-score results of the manufacturing companies conclude that the Zimbabwe manufacturing sector is financially distressed.

4.4 Causes of financial distress
Table 7: Causes of Financial Distress

<table>
<thead>
<tr>
<th>Causes of Financial Distress</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged Equipment</td>
<td>57%</td>
<td>23%</td>
<td>20%</td>
</tr>
<tr>
<td>Shortage of Raw Materials</td>
<td>71%</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Shortage of Capital</td>
<td>86%</td>
<td>14%</td>
<td>0%</td>
</tr>
<tr>
<td>Inappropriate Business Model</td>
<td>14%</td>
<td>58%</td>
<td>28%</td>
</tr>
<tr>
<td>Poor Infrastructure</td>
<td>71%</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Competition from imports</td>
<td>57%</td>
<td>16%</td>
<td>27%</td>
</tr>
</tbody>
</table>

4.4.1 Aged machinery
Of the companies included in the survey, 57% of the respondents revealed that aged machinery was impacting negatively on their operations. Companies could not replace plant and equipment during the hyperinflationary era. As a result, overheads increased owing to continuous breakdowns thereby impacting on the company’s output. Aged machinery results in high repair and maintenance costs as there is need to continuously repair the components that are wearing out. Evidence on the ground also shows that some companies have been investing in equipment which will resultantly lower repairs and maintenance costs in order to remain competitive.

4.4.2 Shortage of Raw Materials
The research also revealed that production costs for companies also escalate owing to shortage of raw materials in the local environment. A total of 71% disclosed that their companies had to resort to imported raw materials which ultimately push up the overall costs of production. Firms operating in the agro-processing
sector are importing raw materials such as grain and wheat owing to low production from the farms. Companies in the Steel industry revealed that they have to import steel from South Africa as Zisco Steel is not operational. Others in the manufacture of asbestos sector revealed that following the closure of Shabanie and Mashava mines, they now have to import chrysolite fibre from Brazil, India and Russia.

4.4.3 Shortage of Capital
Companies in the manufacturing sector are also in need of capital to enable their operations to return to optimum levels. In total, 86% of respondents noted that they need money for both capital expenditure and working capital. The former requires cheap and long term money whereas local financial institutions are lending out only expensive short term money.

Owing to shortage of funding, corporates end up operating at low capacity. The survey revealed that capacity utilization is averaging 44% with a low of 35% and a high of 80%. Beverages sector is on the high end while plastics and piping divisions are on the low end. The fact to note is that those with high value investors are able to get cheap money (at 5-10% interest) compared to the local market offering of between 20-25%.

4.4.4 Inappropriate business models
Failure by companies to adapt to the current business environment was cited by 14% of the respondents as the other cause for the financial distress in the manufacturing companies. One example cited was sticking to production methods that consume high levels of power in an environment where electricity supplies are erratic and costly. Failing to change these production processes results in higher production cost when matched with other firms from the region.

4.4.5 Poor Infrastructure
The country's poor infrastructure was cited by 71% of the respondents as one of the reasons behind the poor performance of manufacturing firms. In particular erratic power and water supplies were cited. This results in production stoppages whilst other firms have to resort to alternative sources of power which are expensive. Using private generators increases manufacturing costs, making products uncompetitive when matched with imports.

4.4.6 Competition from imports
Companies in the manufacturing sector are also suffering from low production owing to increased competition from imported products. This was disclosed by 57% of the respondents. Most of these products are coming from South Africa (groceries), Dubai and China (clothing) and Japan and UK (second hand vehicles).

4.5 Repercussions of Financial Distress
The repercussions of financial distress were deduced from analyzing the responses from questionnaires as well as secondary data. These sources include company annual reports, published journals together with investment reports published by investment houses in the country.

4.5.1 Deteriorating Company Performance
Company performance was analyzed from five angles which are; growth in sales, profitability market share, Return on Assets (ROA) and Return of Equity (RÖE). Overall it can be noted that company performance improved between 2009 and 2011 (Figure 6). This can be explained by the fact that activity was coming off a low base. However in 2012, liquidity challenges surfaced thereby impacting negatively on performance of companies. Figure 6 summarizes the performance metrics for the companies surveyed.
Figure 6: Performance Metrics for Manufacturing Firms

Figure 6 shows that 14% of the respondents enjoy strong market share after they indicated that their market share was very good in relation to other sector players. Further analysis shows that those companies have a monopoly in producing their products. On Profitability, no respondent cited very good growth which is indicative of the depressed economic environment. Responses on the ROA and ROE mirrored each other. As with the trend on profits, no company indicated a very good return. Good and average growth garnered response rate of 14% apiece, while 43% disclosed that return on both Assets and Equity was weak. The other 29% indicated very weak returns when matched with peers in the industry.

4.5.2 Job losses
The financial distress that companies are going through has resulted in job losses as firms try to reduce their wage bill. Respondents equating to 80% of the sample population indicated that they laid off employees since dollarization. Employees were also retrenched following closure of non-performing units or after becoming redundant owing to the introduction of new technology.

4.5.3 Increased number of company collapses
There are several manufacturing companies that have gone under since the adoption of multiple currencies. Some companies have reported entering into schemes of arrangement with creditors after failing to pay them and some also applied for voluntary judicial management as a way of shielding its assets from creditors and some have were liquidated.

4.5.4 Failing to service bank loans
If a company is financially distressed, it struggles to generate profits and in turn it also fails to service its bank loans. The end result is that banks auctions the company’s assets that would have been pledged as security.

5. CONCLUSION
The study concluded that manufacturing firms in Zimbabwe are financially distressed. This view was cemented by the Altman Z-Scores calculated for the companies under study. Results indicated that 60% of the companies
had a score of less than 1.88 whilst 10% was in the grey area (between 1.88 and 2.99). Only 30% of the surveyed firms had a score above 2.99. Financial distress being experienced by companies is as a result of the use of aged machinery, shortage of funding for both working capital and capital expenditure together with dilapidated infrastructure. Competition from imports, shortage of raw materials together with inappropriate business models complete the factors weighing down on company performance.

Financial distress has had negative implications on the performance of companies. Respondents making up 58% of the study indicated that their profit positions were weak relative to that of their competitors. The number of companies going into judicial management or being liquidated has also gone up. In addition, the collapse of companies has resulted in the level of non-performing loans in the banking system going up.

6. RECOMMENDATIONS TO MANUFACTURING FIRMS

6.1 Raise new Capital
The bulk of the profits that are being generated by manufacturing firms are going towards servicing debt. Evidence from the Reserve Bank of Zimbabwe (2014) shows that lending rates for 30 day tenures range between 6% and 35%. The study recommends that companies should raise cheaper equity capital. A company is not compelled to declare dividends and can only do so when the company is in a sound financial position. This is unlike debt whereby the lender expects payments on regular intervals regardless of whether a company is profitable or not. Debt capital in such a scenario ends up choking the company instead of helping the company to grow. In addition, companies can look for external lines of credit for capital projects or external investors. The main advantage of external lines of credit is that they are cheaper and are usually for a longer tenure.

6.2 Business Model Reengineering
The study also brought to light the fact that the other reason why companies in the manufacturing sector are struggling is continued use of outdated business models. There is therefore need to align the company’s business models with the obtaining economic environment. For instance, heavy manufacturing uses more energy and is difficult to sustain in the current economic environment which is characterized by unreliable and costly power supplies. Companies whose operations are effected by erratic water supplies should sink boreholes.

6.3 Invest in new technology
Several companies are making use of aged machinery. Therefore, there is need to source for funding to buy new machines. The new technology automates operations help in bringing down labour costs. New machines improve operational efficiencies through reduced wastages. Production volumes also go up owing to increased capacity and faster production speeds.

6.4 Government to rehabilitate infrastructure
At the moment the country’s infrastructure is dilapidated. This results in the cost of doing business going up. Areas that need to be addressed include rail network, roads, water supplies and power generation. Rail infrastructure in particular needs urgent attention to enable cheaper transportation of bulk raw materials and finished goods. Rehabilitation of infra-structure can be expedited through more Public Private Partnerships (PPP) such as the Build Operate Transfer (BOT) arrangements.

6.5 Realign labour laws to environmental conditions
Respondents that downsized their staff numbers disclosed that this was an expensive exercise on their part as the country’s labour laws favour employees. There is therefore need to amend labour laws in an endeavor
to make them conducive for business operations. Laws should also allow companies to match wages and salaries with the level of production. This implies that there is need to abolish the minimum wages applicable to various sectors and let market forces determine remuneration levels.

6.6 Implement Protectionist Measures
Aggregate demand for products being produced by local companies is falling owing to competition from foreign products. There is need for the government to shield local companies from import competition. The study, therefore recommend that the government puts in place protectionist measures on products that local companies have capacity to produce. Enforcement of these protectionist measures is also of paramount importance. There is need to reduce smuggling of these products at the country's ports of entry, requiring coordinated effort of government agencies concerned.

6. 7 Provide Cheap and Long-term Funding
Government should step in with cheaper and long term funding to assist the distressed companies. The study acknowledges efforts that have been made by government to provide cheaper funding for companies through the Distressed and Marginalised Fund together with the Zimbabwe Economic Trade Revival Facility (ZETREF). There is need for the government to fully capitalize the Small Enterprises Development Corporation (SEDCO) to enable it to offer affordable and suitable funding to the manufacturing sector. Another avenue will be to turn the Infrastructure Development Bank of Zimbabwe (IDBZ) into a commercial bank. This will enable it to pick deposits thereby increasing its capacity to advance loans to the manufacturing sector.

6.8 Revamp local value chains
The research revealed that overall production costs per unit are escalating as the companies are resorting to importing raw materials thereby increasing transportation costs. Government should put measures in place to boost production on the farms.

6.9 Close underperforming units
Another strategy for companies that are continuously recording losses is to close non performing units. Closing non performing units enables a company to channel resources to profitable areas thereby improving capital allocation.

7. REFERENCES


Effectiveness of visual merchandising on customer supermarket choice

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ABSTRACT

The retail market structure in Zimbabwe has changed from being a monopolistic structure to a perfect competition structure with many players coming in. It has become necessary, now more than before, for retailers to look at ways to influence customers’ supermarket choice decisions. Previous researchers have established that the visual merchandising variable plays a greater role in influencing customer store decisions.

This study aimed at establishing the extent to which visual merchandising variables influence customer supermarket choice decisions and at establishing which among the variables, are the most critical in customers’ minds in evaluating supermarket choice. The research was carried out in supermarkets around Harare Central Business District, Msasa and Ruwa. A descriptive survey method was used to get information from customers about their behaviours, attitudes and values. Systematic sampling was used to select the customers (respondents). A total of forty customers were surveyed, representing the sample size.

Results show that all visual merchandising variables affect customer store choice in varying degrees. Store choice decisions were also found to be influenced by other factors like customer care, promotions, prices, and quality of merchandise with customer care and prices being the most considered by customers in making their choice decisions. The study recommends that retailers should pay particular attention to all visual merchandising variables as results show that all variables have varying degrees of influence on customer store choice. Retail players must also pay more attention on product variety and displays and interior store designs which are the major variables that customers consider when making store choice decisions.

Key words: visual merchandising, retail industry, supermarket choice decision, product variety and display, store design

1. INTRODUCTION AND BACKGROUND

1.1 Background to Retail Merchandising in Zimbabwe

The supermarket retail industry in Zimbabwe has changed over the years. Since the 1940s, OK used to command the largest share of the market. The trend has changed. There is now a growing number of competitors such as TM, Spar, Food World and many more. The retail market structure has changed from being a monopolistic structure to a perfect competition structure, with a growing number of small scale supermarket retailers coming on to the scene. As the small scale supermarket retailers embarked on marketing, more and more customers are also diverting from large supermarket retailers.

The research was carried out in supermarkets around Harare Central Business District, Msasa and Ruwa. The researcher did not cover all supermarkets in Zimbabwe.

1.2 Retail Supermarket Industry Analysis

In order to clearly understand the supermarket retail industry attractiveness, the researcher used Porter’s five forces model which looks at the following variables: threat of new entrants, threat of substitutes, bargaining power of buyers, bargaining power of suppliers and intensity of rivalry.

1.2.1 Threat of new entrants

This is largely determined by access to supply sources, capital requirements, access to distribution channels and government policies. As the retail sector was almost blown up during the 2000-2009 hyperinflationary period or era due to price controls, the birth of the inclusive government brought favourable policies like
zero imports duty of merchandise imports which increased retailers’ access to supply sources extending up to regional supply markets like Botswana, South Africa and international supply markets like Dubai and even Mauritius and Brazil. This resulted in many entrants into the playing field.

1.2.2 Threat of substitutes
Substitutes are products which perform similar functions and can be used in place of the other. There is a variety of substitutes in the retail sector due to high rate of new entrants coming up with own substitutes to differentiate them from existing retailers. Substitutes are normally acquired from foreign suppliers like South Africa and China and are very cheap as compared to locally manufactured products.

1.2.3 Bargaining power of suppliers
This is determined by supplier concentration, presence of substitutes, uniqueness of products offered and threat of forward and backward integration. With increased level of merchandise imports, substitute products also increased. Substitute products are very cheap and dominate the market thereby forcing locals to adjust their product prices. In response to this challenge, Large retailers like OK Zimbabwe acquired a wholesaler like Macro, now OK Mart, in order to effectively control and manage the distribution channel which was intended to reduce the bargaining power of local suppliers of grocery merchandise.

1.2.4 Bargaining power of buyers
Bargaining power will be high on the side of buyers when they are many suppliers offering many substitutes and when brand switching costs are low due to little quality differences. The Zimbabwe Human Development Report (ZHDR) estimated 69% of the population to be living below the poverty datum line. This means that most customers are low income earners with a monthly average income of below $300. ZIMSTATS department estimated that over 70% of the population is unemployed. Low income earners are very price sensitive as they have little disposable income and this greatly influences price changes. For example, bread manufacturers resorted to their normal prices for bread after a 10% increase was rejected by customers through a purchase boycott.

1.2.5 Intensity of rivalry
Due to high threat of new entrants and substitutes, low bargaining power of suppliers and high bargaining power of buyers, there is high intensity of rivalry in the perfect retail market structure as evidenced by presence of many retailers employing heavy promotional tools.

2 PROBLEM STATEMENT AND PROPOSITION
It has been found that visual merchandising variables have varying impact on customer supermarket choice decisions. Prior researchers have concluded that supermarket design and cleanliness have more impact on supermarket choice decisions. Other researchers refused to recognise visual merchandising variables alone as major drivers of customer supermarket choice. They focused on issues such as shopping place location, brand name, trade name, car park space, and travelling time as competing influencing factors of customer supermarket choice. The debate on which factors have more influence on customers’ supermarket choice prompted this study.

2.1 Research Proposition
The proposition for this research is that visual merchandising variables affect customer store choice.
3 AIMS, OBJECTIVES AND RESEARCH QUESTIONS

3.1 Aim of the study
This study aimed at establishing the extent to which visual merchandising variables influence customer supermarket choice decisions and at establishing which among the variables, are the most critical in customers' minds in evaluating supermarket choice.

3.2 Objectives
The objectives of the study were:
1. To find out the influence of product variety and display on customer’s buying decisions
2. To find out the influence of merchandising staff on customer supermarket choice decisions.
3. To determine the influence of interior store design on consumer’s supermarket choice decisions and
4. To examine the impact of exterior store design on consumer supermarket preference.

3.3 Research Questions
The study sought to answer the following specific research questions:
1. Does the aspect of interior store design affect customer supermarket choice?
2. Does the aspect of exterior store design affect customer supermarket choice?
3. Is product variety and display of relevance in customers’ considerations of supermarket choice?
4. To what extent do merchandising staff influence customer supermarket preference?
5. What other factors influence customer supermarket choice?

3.4 Research Assumptions
The assumptions formulated below have guided the research study and provided the researcher with a platform from which to compare the results of the study.
a) The first assumption is that visual merchandising plays a major influence in determining customer supermarket choice.
b) All customers are aware of visual merchandising and consider it when making supermarket choice decisions.
c) All retail supermarkets consider and prioritise visual merchandising in customer retention and promotional techniques.

4. LITERATURE REVIEW
4.1 Definition of Key Terms
4.1.1 Merchandising
To fully understand the practice of visual merchandising, it is necessary to understand the meaning of merchandising.

Merchandising means activities which include display techniques, free samples, on-the-spot demonstrations, pricing, shelf talkers, special offers, and other point-of-sale methods. It encompasses all the planning involved in marketing the right merchandise or service at the right place, at the right time, in the right quantities, and at the right price. This is clearly stated by Berman and Evans (2001) who define merchandising as activities involved in acquiring particular goods and or services and making them available at the place, times, and prices and in the right quantity.
4.1.2 Visual merchandising
This is the art of displaying merchandise in a manner that is appealing to the eyes of the customer. It sets the context of the merchandise in an aesthetically pleasing fashion, presenting them in a way that would convert the shoppers into prospective and ultimately into buyers of the product, Berman and Evans (2001).

It can be said to be a strategy for presenting merchandise that makes use of visual techniques to create and maintain a clientele and increase demand. These definitions are further elaborated by Bestow-Shoop et al (1991) who define visual merchandising as everything the customer sees, both exterior and interior, that creates a positive image of a business and results in attention, interest, desire and action on the part of the customer.

The definition of Berman and Evans points out that visual merchandising is customer centred and therefore supermarkets must pay more attention to areas like store design, cleanliness, goods display and having merchandise assortment variety.

The researcher was guided by these definitions in understanding the extent to which visual merchandising variables affect customer store choice decisions.

4.1.3 Customer
Also referred to as client, buyer, or purchaser, is usually used to refer to a current or potential buyer or user of the products of an individual or organisation.

4.1.4 Product
Kotler, and Keller, (2009), define a product as anything that can be offered to the market for attention, acquisition, use, or consumption and that might satisfy a need or a want. This broad definition of product includes physical objects, services, persons, places, organizations, ideas or mixes of these entities.

4.2 Merchandising philosophy
As noted by Berman and Evans (2001) merchandising philosophy is based on the assumption that the retailer must endeavour for visual merchandising that reflects the desires of target market and the visual merchandising practices should be distinct in a way that creates a unique position in the market.

When practising visual merchandising, the supermarket should therefore take heed of competitors’ practices on the same issue so as to make improvements where necessary. Visual merchandising is costly and should be well managed to maintain profitability of the supermarket.

4.3 Visual merchandising variables
Kotler (1991) describes visual merchandising variables as “atmospherics”, which include lighting, store design, goods display, and cleanliness. Berman and Evans (2001) added merchandising staff, product assortment variety as visual merchandising variables.

All the above variables can be condensed into four variables contained in this research study namely; product mix or variety and display, merchandising staff, interior store design, and exterior store design.

4.4 Product variety and display
When customers visit a particular supermarket, their aim is to purchase a product which satisfies their needs and wants. Also due to unique customer needs and as shown by consumer behaviour patterns, a variety of products should be in place for all product ranges to enable customers to have a wide spectrum to choose from. Offering product variety increases loyalties of customers as their expectations will be met.
Product display like window displays, interior shelf displays, and point of purchase displays guide a customer through the store and show him what is available and where to find it. Displays also enhance exterior store design that the store wants to emphasize, for example a prestige specialty shop displays a few high style items without marked prices on its windows.

4.5 Merchandising staff
Well trained merchandising staff help in convincing customers to make purchases of high value. Their role is to explain the benefits associated with acquiring that product and its high quality features that make it expensive as compared to other competing products. Well trained in store sales staff provide specialist knowledge on technical products and on new products that might be of interest to customers thereby giving customers more information needed in evaluating alternatives. Most customers like to frequent stores with merchandising staff for the help they provide as some of them do not want to spend time evaluating technical or new products without proper information.

4.6 Interior supermarket design
Interior supermarket design includes flooring, colour, lighting, scents, sounds, fixtures, wall textures, temperatures, width of aisles, resting and dressing rooms and store layout in general. Customers favour a store with a well decorated interior, smart environment with clear lighting, moderate temperatures, and state of the art fixtures like waiting chairs with enough comfort.

4.7 Exterior store design
This is one of the variables of visual merchandising which affects customer store choice. It may cause customer to change their mind even before walking into that supermarket. It is made up of marquee which is store sign display with a trade name, entrances, windows, lighting height and size of the building. Store image largely makes up exterior design. It is the impression, personality, or mental picture that comes to mind when a store name is mentioned.

4.8 Importance of visual merchandising
4.8.1 Importance of visual merchandising to customers
Visual merchandising is important in a number of ways.

a) Customers’ choice is enhanced with a variety of merchandise offered by retailers.
b) When goods are clearly displayed, customer buying decisions are quickened.
c) Choosing the retail supermarket which offers best visual merchandising contributes to maximum customer satisfaction.

4.8.2 Importance of visual merchandising to supermarkets
Visual merchandising is important to retail supermarkets in many ways.

a) It helps to strengthen the image of the supermarket and differentiates it from competitors.
b) It stresses the customers desire to buy through a visually attractive product.
c) Sales tasks are simplified through clearly displayed products.
d) If well managed, it increases sales.
4.9 Related Studies

There are a number of studies which have been carried out to explore the role and impact of visual merchandising in customer supermarket choice.

In a related study from Sri Lanka by Wannaniyake and Randiwela (2009), the findings show that customers critically consider visual merchandising when making supermarket choice decisions. They concluded that visual merchandising plays an effective role in determining customer store choice. The same study highlighted factors affecting customer store choice and these included store design, cleanliness, goods display, and lighting. The researchers concluded that though store choice decisions were influenced by a variety of factors, respondents indicated that they considered visual merchandising variables as influencing them the most in making store choice decisions.

Another study carried out in Germany by Staus (2006) established that factors like merchandise variety, quality, freshness, price, and store nature and location were most critical. Though the researcher did not directly mention the issue of visual merchandising variables, the highlighted factors such as store location and variety of merchandising are critical components of visual merchandising. His research findings concluded that store nature quality and variety of merchandise play a central role in influencing customer store choice decisions.

Muzondo and Mutandwa, (2011), carried out a similar study which explored how the seven Ps affect shopping behaviour. The researchers established that variables such as convenient shop location, wide product range, fresh food, longer opening hours and processes and reserved tills for shoppers in a rush process influenced buying behaviour patterns. They also concluded that product was the major factor among all seven Ps that influences shopping behaviour of customers.

A research carried out in India by Jayasankaraprasad (2010) established that customer store choice decisions are not merely centred on visual merchandising variables but on other factors like, store location, distance, and price are of similar consideration. The study concluded that visual merchandising variables like store design has the most influence on customers’ store choice decision and influences like price and store location are secondary.

This was confirmed in another study carried out in India by Selvaraj and Swaminathan (2010), who concluded that visual merchandising yielded greater influence on consumer store choice decision making than other variables. The study also established that window display; size differentiation and brightness are important factors of visual merchandising.

However, Young (2006) presented a varying view of visual merchandising role on customer choice decisions. His research concluded that although visual merchandising played a role in influencing choice of store decisions, store loyalty is considered as having the most influence.

Shun (2006) carried out a research in Hong-Kong titled “effect of store environment on shopping behaviour” in which the researcher concluded that when decisions to do with store choice are made, it is the issue of store environment that is considered most as the major variable of visual merchandising.

5. Research Methodology

5.1 Target Population

Cooper and Schindler (2003) define population as a universe of objects whose parameters are to be investigated. The researcher focused on the retail supermarkets as the target population. Customers who visited supermarkets in both high and low density suburbs and in various shopping malls in the city centre represented the population from which the sample was selected.

In order to achieve the objectives of the research study, primary data was collected from 50 people using a questionnaire. The 50 customers were randomly selected in chosen retail outlets.
5.2 Sampling
There are various ways of determining the sample size. Examples include confidence interval method, the arbitrary "Percent Rule of Thumb", conventional sample size specification; statistical analysis approach and the cost bias sample size specification also known as the all you can afford approach. However the researcher used the sampling size determination method by Saunders et al (1997), who argue that success of questionnaires is 30%.

The sample size we selected enabled us to draw respondents from shopping areas chosen to give a representative data and to ensure that research study produced reliable results.

5.3 Sampling method

Probability sampling techniques
The researcher focused more on probability sampling techniques in data collection because sampling error can be calculated, so as to have a representative sample and level of bias is reduced.

Systematic random sampling was used. This is where elements from the population are selected at uniform interval that is measured in time, order or space. Saunders, Lewis and Thornhill (2003), state that systematic random sampling involves the selection of the sample at regular intervals from the sampling frame. Systematic sampling is a statistical method involving the selection of elements from an ordered sampling frame. The most common form of systematic sampling is an equal-probability method, in which every $k^{th}$ element in the frame is selected, where $k$, the sampling interval (sometimes known as the skip), is calculated as:

$$\text{Population list size/sample size}$$

Using this procedure, each element in the population has a known and equal probability of selection. Therefore, the first step to systematic random sampling was simple random sampling. The second step was deciding on a skip interval.

Therefore, the skip interval for this study was 200/40=5 which implied that questionnaires were given to every fifth customer who walked in or out of the shop. The $k^{th}$ element was five.

5.4 Research Instrument and administration
Over and above the standard demographics, the questionnaire focused on product variety and displays, in store merchandising, interior and exterior store design, merchandising staff and any other factors which may influence customer choice decision. Ten questionnaire was pretested on five randomly selected respondents. Fifty (50) questionnaires were distributed. The personal administration method was used to make sure that respondents understand the questions, answer correctly and complete the whole questionnaire.

6. DATA ANALYSIS AND PRESENTATION OF RESULTS
Data was analysed using SPSS; micro soft excel and word software which assisted in generating tables, graphs, and pie charts. This made it easy to analyse, compare results and interpret the data.

6.1 Response rate
The response rate was 80% as 40 out of 50 questionnaires were returned. The response rate was high because of the personal administration method used to gather data.

6.2 Reliability test
Reliability signifies the issue of consistence of measures, i.e. the ability of a measurement instrument to measure the same thing each time the instrument is used Singh (2007). The rule of thumb is that an alpha
value of 0.6 is considered low, while alpha values in the range of 0.70-0.80 are considered optimal (ibid). The Cronbach alpha was used to test reliability of the rating scale used to gather data. The overall alpha score was 0.75 on the reliability scale which confirmed that the data used was reliable.

7. FINDINGS AND DISCUSSION

7.1 Demographics
Respondents (customers), in this study, were expected to indicate their sex, age, race, academic and professional qualifications, average monthly income and occupation. These areas asked are of interest because they have an effect or bearing on the answers provided. Sex was chosen to show the proportion of respondents and to avoid bias toward a single sex.

Fifty (50%) of the respondents were males and 50% were females.

7.2 Age of Respondents

The data collected reveals that most respondents were aged between 31-40 years, which was 45% followed by those between the age of 41-50 years. There were no respondents who participated who were above the age of 50 years. Overall, the average age of the majority of customers lies between 31-40 years.

7.3 Occupation
Occupation was included in the question because the type of job has an impact on store choice decisions. The data analysed shows that 80% of the respondents had formal jobs while the remaining 20% had informal jobs.
7.4 Academic and professional qualifications

Figure 2: Highest level of qualification

![Bar graph showing educational qualifications]

Figure 2 shows that most respondents - 37.5% (15) had diplomas followed by 25% who had ‘O’ levels and 15% were first degree holders. A few (5%) had a Master’s degree and none of the respondents had either a PHD or ZJC as their highest qualification.

7.5 Average income
The majority of the respondents received an income ranging from $300-$600. Twenty five (25%) of the respondents received an income of below $300 and 35% of the respondents had an average income of above $600.

7.6 Distance Lived from Favourite Shopping Area
The majority of respondents live in proximity to their favourite shops as 42.5% are within the radius of 0-10km. Thirty five 35% are a distant from their favourite supermarkets and 22.5% resides within 10-20Km from their most preferred store. The implication is that the majority of customers do not consider distance as an issue when choosing favourite store as 57.5% travelled distances beyond 10km to their store choice and 42.5% of customers prefer supermarkets within their proximity radius of 0-10km. It can be concluded that distance is not a major factor in influencing supermarket choice. Frequent shop visits indicates that 47% respondents frequent their favourite supermarket weekly, 27.5% do it monthly while 25% do it daily.

7.7 Types of Fast Moving Consumer Goods Purchased and the Favourite Supermarket
The majority of customers purchase consumable groceries and the rest which are 5% purchase clothing items. Seventy five % (75) of them prefer to shop in popular supermarkets like Ok, TM, Food World and or Spar. Twenty five % (25) opt for the unpopular ones like First One, Ruwa Supermarkets and Mohammed Musa Retail Group.
Visual Merchandising Variables Influence on Customer Store Choice

7.8.1 Product Variety and Display
All respondents agreed that product variety and display affect their store choice decision. Product variety and display play a great role in influencing customer store choice. This agrees with Muzondo and Mutandwa (2011), findings which records that product is one of the major 7ps influencing shopping behaviour. More than eighty percent (82.7%) of the respondents agreed that product display is of particular importance in making store decision as against 17.5% that disagreed. The result supported Rannaniyake and Randiwela (2009) findings which stated that product display also influence customer store preference.

7.8.2 Interior Design
The majority of customers, constituting 75%, indicated that they were influenced by interior design while 25% were not. This implies that interior design is also one of the major variables of visual merchandising influencing customer store preference. This corroborates the findings of Staus (2006) who concluded that interior design influenced most customers store choice in Germany.

7.8.3 Merchandising Staff
The views on merchandising staff were balanced as 50% agreed that merchandising staff plays a vital role in influencing store choice decision while the other 50% disagreed. Basing on the 50% respondents who were influenced by merchandising staff, the result is in line with Bestow-shoop (1991) who discovered that merchandise staff played a considerable role in enhancing product display and also in assisting customers when purchasing new products and as a result most customers were found in supermarkets employing ground floor merchandisers.

7.8.4 Exterior Design
Looking at the exterior design variable, 55% of the respondents indicated that they were not influenced by it when making store decision while a significant 45% were influenced by exterior design. The results showed that 45% considered exterior design in making store choice. This is in agreement with Staus (2006) and Yildrim (2007) whose research findings concluded that exterior design which they termed ‘exterior atmospherics’ had an influence in store choice decisions.

7.8.5 Visual Merchandising Variables Influencing Store Choice in Order of Preference
Figure 3 shows that product variety and display are considered ahead of all variables with 47.5% followed by interior stores design with 22.5%. The least considered variables are exterior design and merchandising staff which shares 15% each. This matches the findings of Rannaniyake and Randiwela (2009) who found that Srilankan customers had the similar ranking with product variety and display, and interior design on the top list followed by visual merchandising and exterior store design.

7.8.6 Other Factors Influencing Store Preference
Though visual merchandising variables do play a pivotal role in influencing customer store choice, the research also looked at other variables that customers consider in making the same decision. The results (Figure 4) indicate that 37.5% of customers and 25% customers are affected by customer care and prices, respectively. Those who were influenced by quality of products, promotional activities and distance, range between 20%, 10% and 7.5 %, respectively. It shows that customer care and prices also have a significant effect on store choice. It also implies that customers are price sensitive and also consider the level of augmented products provided by retailers in meeting their needs and wants. Promotions, product quality and distance
also play a relatively important role in influencing customer store choice. This is in line with Jayasankaraprasada (2010) and Stauss (2006) who discovered that store choice also depends on other non visual merchandising variables like prices, promotions, distance, and customer care.

8. CONCLUSIONS
Two main conclusions can be made from this study.

a) Results shows that all visual merchandising variables affect customer store choice but in varying degrees. Ranking order results showed that product variety and display, and interior store design influence customers the most in their store choice decisions. Exterior store design and merchandising staff were found to be the least that customers consider when making store choice decisions.
b) Store choice decisions were also found to be influenced by other factors like customer care, promotions, prices, and quality of merchandise with customer care and prices being the most considered by customers.

8.1 Test of Proposition
The results indicated that visual merchandising variables affect customer store choice. Product variety and display, and interior store designs are the most influential variables. The results responded to the research topic which tried to investigate the extent to which visual merchandising variables affect store decisions. Therefore, the research proposition can be accepted.

9. RECOMMENDATIONS
The following recommendations for best business practices are made in the light of the findings discussed above:

a) Retail supermarket pay particular attention to all visual merchandising variables as results show that all variables have varying degrees of influence on customer store choice.

b) Retail players must pay more attention on product variety and displays and interior store designs, which are the major variables that customers consider when making store choice decisions. As customers have diverse needs and wants, retailers can satisfy this by having a wide range of merchandise. If retail players work on having a well decorated internal atmospherics, this will attract many customers.

c) Store choice decision was also found to be influenced by other factors like; customer care, prices, promotions, and quality of products. Retailers should, therefore, thrive on training their personnel to have skills in handling customers. They should have enough secured parking space to satisfy customer needs and wants. Prices of merchandise should be very affordable to win more customers who are price sensitive.

10. AREAS OF FURTHER STUDY
The research study was carried out in Harare and a few satellites towns only and results are not fully representative. Further studies in other cities of the country on the same topic would also give detailed results on how visual merchandising variables affect customer store choice.

REFERENCES
Young- Ha, M.S. 2006. The Influence of Online Visual Merchandising on Consumer Emotions: Moderating Role of Consumer Involvement, Ohio State University.
ABSTRACT

Given the near-demise of the Zimbabwean economy in almost all sectors — capacity utilization in industry in 2014 was 36.3% (down from 39.6% in 2013 and 49.9% in 2012) and continuing to fall (Confederation of Zimbabwe Industries, September 2014) — what is the experience of universities in Zimbabwe whose number has risen from one to fifteen over the short span of the past twenty-five years? What challenges do they face? How are the universities managing these challenges?

The paper argues that universities in Zimbabwe, like universities elsewhere in the world, have the unique advantage that they trade in a product which has no “sell-by date,” and also that unlike universities elsewhere, managers of universities in Zimbabwe have, on account of the volatility of the Zimbabwean situation, learnt to manage their institutions strategically to best advantage.

The paper examines the many challenges universities face in relation to competition for students, resources, dimming prospects for graduate employment, governance and other areas and what strategies university managers employ to enable their institutions not only to remain afloat, but also to excel. Universities in Zimbabwe have therefore, for the sake of their own survival, needed to create a dynamic regime of best business practices to stay in business in the harsh economic realities of Zimbabwe.

Key words: Zimbabwean universities, Zimbabwe economic challenges, Zimbabwean universities’ challenges, strategic management of Zimbabwean universities, best practices in Zimbabwe’s universities’ management

Introduction

From the year 2000, over the past 15 years since the onset of the controversial land re-distribution program, the Zimbabwean economy has been on a free fall spiral.

In addition, the series of disputed general elections from 2002 to 2013 have failed to instill confidence in Zimbabwe’s business environment and the consequences have, among others, included the following which have a direct bearing on the business of universities:

• the demise of Zimbabwe’s national currency and the dollarization of the economy which has increased the cost of doing business in Zimbabwe;
• the flight of foreign direct investment (FDI) leading to massive company closures and loss of jobs (in September, 2014, the Zimbabwe Congress of Trade Unions announced that 4,172 people had been laid off over the period January to September, 2014);
• unprecedented unemployment which is estimated at over 85%;
• decline in service delivery in all sectors, particularly in the provision of health, water, electricity and transport services to the public and institutions including universities (access to potable water “decreased in 2014 to 29% from 35% in 2011…44% of the Zimbabwean population had to skip a meal in 2014 because of lack of money compared to 29% in 2011…an increase in those unable to attend school due to lack of fees from 25% to 36% in 2014….65% of the adult Zimbabwean population earn $100 or less per month” (The Finscope Consumer Survey Zimbabwe 2014, quoted by Victoria Mtomba, NewsDay, February 18, 2015, p.11)

Despite some glimmers of hope, such as the re-engagement of the Zimbabwean Government by the European Union and Government’s signing of what the public media has described as “mega business deals” with
China and Russia, prospects for improvement in Zimbabwe’s economic growth in 2015 are dim and likely to become worse as these initiatives are not directly targeted at the productive sector and as confidence in doing business in Zimbabwe in the face of the perceived anti-foreign investment indigenization policies continues to decline.

This paper looks at the implications of this harsh economic reality on universities in Zimbabwe, the research methodology employed, the findings, discussion of the findings, conclusions/overview on the best business practices employed by universities in Zimbabwe and recommendations for the future.

OBJECTIVES
The objectives of this paper are:

- To examine the challenges universities in Zimbabwe face in the current harsh economic climate
- To examine strategies university managers use to keep their institutions afloat
- To discuss the efficacy of those strategies and make recommendations

PROBLEM INVESTIGATED
With many companies closing and many bread winners losing their jobs in the face of Zimbabwe’s harsh economic climate, what is the experience of universities in Zimbabwe which have increased from one to fifteen in a short space of the past twenty-five years, and what strategies do university managers use not only to stay in business, but in many cases to excel?

THEORETICAL REVIEW
Having managed with only one university for 33 years, Zimbabwe now has 15 universities or degree granting institutions as at the beginning of 2015 (9 State and 6 private).

In the chronological order of when they were established, the universities are:

<table>
<thead>
<tr>
<th>Name of University</th>
<th>Year Established</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Zimbabwe (UZ)</td>
<td>1957</td>
<td>State</td>
</tr>
<tr>
<td>National University of Science and Technology (NUST)</td>
<td>1991</td>
<td>State</td>
</tr>
<tr>
<td>Africa University</td>
<td>1992</td>
<td>Private</td>
</tr>
<tr>
<td>Solusi University</td>
<td>1994</td>
<td>Private</td>
</tr>
<tr>
<td>Bindura University of Science Education (BUSE)</td>
<td>1996</td>
<td>State</td>
</tr>
<tr>
<td>Catholic University of Zimbabwe (CLUZ)</td>
<td>1998</td>
<td>Private</td>
</tr>
<tr>
<td>Zimbabwe Open University (ZoU)</td>
<td>1998</td>
<td>State</td>
</tr>
<tr>
<td>Midlands State University (MSU)</td>
<td>1999</td>
<td>State</td>
</tr>
<tr>
<td>Chinhoyi University of Technology (CUIT)</td>
<td>2001</td>
<td>State</td>
</tr>
<tr>
<td>Great Zimbabwe University (GZU)</td>
<td>2002</td>
<td>State</td>
</tr>
<tr>
<td>Women’s University in Africa (WUA)</td>
<td>2002</td>
<td>Private</td>
</tr>
<tr>
<td>Lupane State University (LSU)</td>
<td>2004</td>
<td>State</td>
</tr>
<tr>
<td>Harare Institute of Technology (HIT)</td>
<td>2005</td>
<td>State</td>
</tr>
<tr>
<td>Zimbabwe Ezekiel Guti University (ZEGU)</td>
<td>2011</td>
<td>Private</td>
</tr>
<tr>
<td>Reformed Church University (RCU)</td>
<td>2001/2012</td>
<td>Private</td>
</tr>
</tbody>
</table>

Source: Zimbabwe Council for Higher Education (ZIMCHE), 2014

There are a number of initiatives on the cards for the promulgation of more universities in Zimbabwe, including the Southern Africa Methodist University which held its groundbreaking ceremony at Waddilove
Institute on 18 October, 2014, the Anglican University set to open in Marondera, and Gwanda State University, which is currently a College of NUST.

Zimbabwe’s total population, according to the last census in 2012, is 12,973,808 (Zimbabwe Census 2012). The university to population ratio in Zimbabwe is therefore 1 university to 865,000. Theoretically, therefore, Zimbabwe’s population could do with more universities as the current university to population ratio shows.

In reality, however, the harsh economic environment in which the universities are operating stretches them to the limit.

The saving grace is that Zimbabweans have an historical thirst for education which has continued unabated, even when the universities were struggling just to remain open during the hyperinflationary years 2006 to 2009 and when employment prospects for university graduates have continued to dwindle with each passing year. Zimbabweans believe in the durable and “elastic” harvests of education whose emotional and rational benefits have enabled them not only to feel good and celebrate their achievements, but also to secure good jobs in many parts of the world.

It is therefore not surprising that each of the country’s 15 universities is able to enroll a large number of students each year.

The immediate impact of the stressed economic environment is that universities’ access to resources is severely limited. With the increasing number of State universities, Government, which chews up 81% of the national budget in human resources costs, is unable to provide much for State universities’ capital budgets.

As it is, Government is struggling to provide State universities’ salaries, changing pay dates from month to month according to when revenue inflows from the hard-pressed and shrinking employment sector are collected.

Similarly, private universities, which do not receive any subvention from Government but rely almost exclusively on student fees, struggle to have students pay their fees at all or on time as many parents and guardians have lost and continue to lose their jobs.

Zimbabwe’s international ostracization following the imposition of economic sanctions on account of the controversial land reform program and alleged human rights abuses since the year 2000 resulted in the international isolation of Zimbabwean universities.

Prior to that, Zimbabwean universities had enjoyed active link programs with universities in Europe, North America, Australia and New Zealand, linkages which helped Zimbabwean universities participate with their counterparts in staff-student exchange programs and access funding for research and staff development.

Under the circumstances, managers of universities in Zimbabwe have had to devise survival strategies in order to keep their institutions in business.

These strategies have become so widely shared in the practices of the various universities and because they are largely successful, they have assumed the status of best practices among Zimbabwe’s universities.

RESEARCH METHODOLOGY
Both desk research and a research questionnaire instrument were used in this study.

Universities in Zimbabwe advertise their programs extensively in the nation’s Sunday papers and at graduation, commemoration and fundraising events, thus making literature about their strategies publicly accessible.

A questionnaire was administered to selected universities and detailed responses were received from 5 universities (2 State and 3 private) while another 2 universities provided responses in lunch hour discussions. To facilitate as much disclosure as possible, the researcher undertook not to refer to any of the responding institutions by name or by details that might make their identity obvious.
After presenting the abstract to this paper and stating the objective of the research, respondents were asked the following key question:

3. Kindly indicate what challenges your university faces and how it is responding with respect to the following:
   3.1 Competition for students
   3.2 Financial resources
   3.3 Human resources
   3.4 Assets (immovable)
   3.5 Assets (movable)
   3.6 Location of your university
   3.7 Dimming prospects for graduate employment
   3.8 Governance, academic freedom and institutional autonomy
   3.9 Any other challenges

FINDINGS

Competition for Students and Location of the University

Respondents used such words as “stiff,” “a real challenge” and “tough” to describe the nature of competition they face in recruiting students into their institutions. They mentioned the growing presence of other universities in one form or another in the towns or localities that they used to ‘inhabit’ alone at some stage in their short histories.

Universities which are located outside of urban centers indicated that such locations make it impossible for them to conduct parallel programs after hours as students would have to travel long distances to and from university at the end of a working day.

Private universities indicated that students tend to come to them after they fail to gain admission at a State university for reasons which include lower tuition costs, possibility of getting Government loans, grants and cadetships and the perception that State universities have a more solid or appealing reputation which gets promoted at least once every year when the media descends on them to cover the presence of the State president who presides over their graduation ceremonies.

Emerging best practices to counteract challenges emanating from competition for students and the location of universities include:

- Crafting of telling or appealing vision and mission statements which invariably carry the words: ‘university of choice for...; to be the best university in....world class university in the provision of...etc.’
- Establishing satellite campuses in a number of strategic locations away from the main campus and especially in urban centers. For instance, all the 15 universities operating in Zimbabwe at the beginning of 2015 have some presence in Harare, and at least one other university whose main campus is not located in the following centers have some presence in those centers: Bulawayo, Chinhoyi, Mutare, Marondera, Gweru and Masvingo.
- Purchasing of vehicles appropriate for “mobile training” to reverse the traditional approach of bringing students to the university and, instead, take the university to the students.
- Targeting specific groups of potential students and devising marketing strategies aimed at appealing to the selected group, e.g. targeting mature women who would otherwise go to their graves in old age without attaining a university degree and telling them: we are the “university of second chances” as the motto of one university that targets mature women reads.
- Attending Ministry of Labor Career days and showcasing the university’s programs and selling points
- Visiting schools and advertising for enrolments.
Addressing church congregations in the case of private church universities to appeal to members of the church to support their church’s university by sending their children, friends and relatives to that university irrespective of the potential students’ religious denomination. Such universities even plead a higher motive of evangelization arguing that students who do not belong to the particular church may get converted into the church by the time they complete their studies at the church’s university. Church members would thus be sowing the good seed into the Lord’s vineyard by becoming ambassadors for the university among their friends and relatives who do not belong to their and the university’s church.

FINANCIAL RESOURCES
A respondent from a State university stated: “Government funding has dwindled to a level where only salaries and rudimentary infrastructural activities can be funded.” Another from another State university said: “government disbursements are irregular and insufficient and we can’t tell anymore when our salaries will be paid.”

A respondent from a private church university stated: “My university does not receive any money from the State hence we rely solely on church grants and student fees for survival.”

As discussed earlier in this paper, students are increasingly finding it difficult to pay fees as their parents or guardians lose their jobs through being laid off or through company closures.

Both State and private universities in Zimbabwe face serious financial constraints as experienced by all other institutions in the country in the face of the economic challenges the country is experiencing.

Strategies that universities say they are employing to address this challenge include:

• Generating “third stream income” by carefully packaging knowledge and making courses “sexy,” as one respondent said, in order to appeal especially to adult or life-long learners. Almost all universities in Zimbabwe now run parallel (evenings, weekends, public holidays), block release (selected contact periods such as school holidays) and short-term courses that are self-funding with some surplus, all conducted at times convenient to learners
• Providing consultancies to Industry and NGOs and earning some money over which the university has sole discretion
• Conducting fundraising activities at which celebrity personalities are invited to grace the occasion. In 2014, most universities conducted fundraising dinner dance functions at which celebrity musicians such as Dr. Oliver Mtukudzi (Tuku), were the main attraction.
• Involving the alumni of the university in resource mobilization for the institution.
• Some private church universities have formed what they call “friends of the university” drawn from influential members and organizations of the particular church, while others have appealed to every faithful in the church to donate at least one dollar per month to the university.

HUMAN RESOURCES
Following the mass exodus for greener pastures in the Diaspora of academic staff from universities in Zimbabwe at the height of the hyperinflationary years 2006 to 2009, universities in Zimbabwe have managed to recruit and retain some qualified academic staff since the dollarization of the Zimbabwean economy from 2009.

The challenges that the universities face include the need to build a critical mass of experienced academics who can offer academic leadership to the relatively young population of academic staff in the universities at the moment, retaining qualified staff in the face of low and static salaries, addressing the poor work ethic among young academic staff and the long selection processes for academic staff especially in State universities.

Strategies employed by universities to address the challenges in human capital include:
• Investing heavily in staff development programs to upgrade staff to become doctoral degree holders so that they can clearly see and appreciate the academic career path through the various academic grades lying ahead of them. As funding to send staff abroad for training is no longer easily available, universities make use of senior academics among their own staff, from sister universities in Zimbabwe and from Industry as appropriate for this purpose.
• Training all academic staff, especially during their orientation into the institution, in pedagogical and related skills.
• Shortening the selection process of academic staff.

ASSETS (IMMOVABLE AND MOVABLE)
The challenges universities in Zimbabwe face with respect to assets, both movable and immovable, include the following:
• Insufficient space for both teaching and office accommodation, compounded by lack of funds to build new or to repair old facilities.
• Shortage of teaching equipment, furniture and vehicles.

Notwithstanding these and other challenges related to assets, the universities have devised ways and means to circumvent the shortcomings to increase student numbers and what is required for student learning. Such strategies include the following:
• Most universities took advantage of the national land re-distribution program and acquired farms on which they can both build infrastructure and engage in resource mobilization projects for the institution’s capital development.
• Universities have called for partnerships with well-capitalized potential investors and entrepreneurs through which the investor can build infrastructure on the university campus or farm and re-coup the capital invested with some profit over an agreed period of time before transferring the infrastructure to the university through a win-win best practice called Design, Build, Operate and Transfer (DBOT).
• Some faculties and units operate from premises outside campus. Church private universities especially are using church premises throughout the country at which they operate for free or pay nominal rentals to cover operating expenses such as utilities and labor.
• Hot-seating parallel classes.
• Through arrangements with suppliers, especially suppliers based in China, some universities source their assets directly from such suppliers, reducing costs as they cut out the middleman.
• Some universities rent computers from computer rental companies at fairly reasonable rates.
• Departments and units that have capacity to generate income are encouraged to purchase departmental vehicles from such self-generated funds.
• Many universities have adopted a do-it-yourself (DIY) approach, such as in purchasing directly from suppliers in China and elsewhere, purchasing equipment which enables the university to, for instance, mould its own hydra form bricks for building campus infrastructure and engaging directly in the acquisition of building materials and proceeding to utilize university staff in constructing small infrastructural projects on campus.

DIMMING PROSPECTS FOR GRADUATE EMPLOYMENT
More than ten thousand fresh graduates are released onto the shrinking Zimbabwean job market from Zimbabwe’s universities every year. With unemployment estimated at over 85%, it is clear that many such graduates are not able to secure employment commensurate with the training they received. As a result, many take up teaching positions as unqualified graduate teachers without a teaching qualification and leave as soon as a better opportunity avails itself in or outside Zimbabwe.
To address this challenge, universities say they do the following, among others:

- They mainstream entrepreneurship in teaching programs so that students are equipped not so much with job-hunting but job-creation skills.
- Most universities in Zimbabwe now require their students to undergo compulsory and examinable work-related learning during which they work under supervision in Industry, Commerce and other agencies as well as in their own entrepreneurial ventures to acquire work and entrepreneurial skills and experience, skills and experience that place them at advantage upon graduation into a shrinking job market.
- Universities in Zimbabwe have also invested heavily in IT teaching and learning thereby imparting to their students skills that make the students marketable for employment on a global scale when they complete their studies.

GOVERNANCE, ACADEMIC FREEDOM AND INSTITUTIONAL AUTONOMY

With respect to governance, some respondents indicated that given the limited resources available in the universities, it was difficult to institute mechanisms that interrogate and assess internal governance structures and processes in the universities.

Relationships between “owners of the university” as represented by the university Council and the university’s executive have in some cases been quite frosty and in others so acquiescent on the part of the executive that in either case the relationships have been unhealthy as far as academic freedom and institutional autonomy are concerned. With respect to academic freedom and institutional autonomy, a respondent said: “Over the years, we generally feel and have observed that the university autonomy has been slowly eroded.”

Reference was also made to the Zimbabwe Council for Higher Education (ZIMCHE) which, although generally perceived as performing an important role of safeguarding university best practices and standards, was nevertheless also seen as embroiled in an ambiguous situation in which it now receives most of its funding from universities yet it is legally accountable to Government, which is now unable to fund it, and not to the universities. In addition, lack of requisite expertise within ZIMCHE has meant that ZIMCHE has had to rope in adjudicators into the ZIMCHE Council and committees some members who cannot be regarded as disinterested parties as they are active members of other universities who are thus competition to the universities whose programs are being adjudicated.

Best practices adopted by universities in relation to challenges in governance, academic freedom and institutional autonomy include the following:

- Running the business of the university through the good old committee system that gives some measure of democratic inclusion and participation in decision making at all levels.
- Governance training for members of the University Council and involving them in the strategic planning process for the university so that they appreciate better the interface between the roles of governance and management in the running of universities.
- The Zimbabwe Universities Vice Chancellors’ Association (ZUVCA) continually engages ZIMCHE on specific provisions of its role as watchdog for the maintenance of standards in the universities and how that role impacts on how universities work to meet their strategic goals.

OVERVIEW AND RECOMMENDATIONS

Universities in Zimbabwe have been effective and quite successful in the way they have devised and implemented best practices to address the many challenges they face arising from the harsh economic environment in which they have been operating in Zimbabwe over the past one and half decades.

They have aptly and successfully capitalized on the historical and unquenchable “thirst” for education in the Zimbabwean people’s psyche, notwithstanding the fact that many of the graduates that they churn out
every year do not find jobs readily on the shrinking local job market.

Universities in Zimbabwe have packaged and re-packaged knowledge, itself a timeless commodity with no sell-by date, and made it appealing to their clientele. One hardly comes across a course or degree program which carries the threadbare titles of the past such as “BA Honors in English.” Such a degree program is now invariably named BA Honors in English and Communication Studies, BA Honors in English and Media Studies, etc., always tagging onto the traditional title an element of practicality to the program. The good old “Masters in Business Administration (MBA)” is now also laced with the word “Executive” so that students come to study the “Executive MBA” degree program. The good old “BSc in Agriculture” is now regularly conjoined with some other related buzz discipline such as BSc in Agriculture and Natural Resources, BSc in Agricultural Sciences and Technology, BSc in Agribusiness Management, etc.

Perhaps the best of the best practices for survival adopted by Zimbabwean universities under the current harsh economic climate in Zimbabwe is the practice of identifying specific groups of potential students, packaging a marketing regime for that group and making that group feel the specific university was made ‘just for them’ even though the university does not close its doors against anyone else outside the specific target group from enrolling.

In addition, by adding to their regular or conventional programs (and in some cases away from the main university campus) parallel programs, Block Release programs and short courses whose timetables are flexible and compliant to the learners’ work and other schedules, the universities in Zimbabwe have, under Zimbabwe’s current harsh economic climate, successfully broken away from the long-established tradition of bringing students to the university by taking the university to the students instead.

Key recommendations emerging from issues raised in this study include the following:

- In tailoring their programs to the needs of their target student clientele and to the needs of Zimbabwe especially under Zimbabwe’s current socio-economic circumstances, universities in Zimbabwe should always keep in mind that they are educating students not only for the Zimbabwean market, but also for the international market. The course content should always therefore have both local and international appeal and practicability, buttressed by quality assurance measures which universalize graduates from Zimbabwe’s universities.

- Universities in Zimbabwe should engage their key stakeholders, particularly the legal owners, to gain greater institutional autonomy, particularly in financial matters, than they currently have. Universities in Zimbabwe should be allowed to determine economic fees in consultation with their clients the students and the students’ guardians and to have the final say on how revenue raised in the university in this and other means is used in the management and development of the university.

- The Zimbabwe Council for Higher Education (ZIMCHE) should be re-constituted so that it becomes an Association of Zimbabwean Universities accountable to the universities on whose financial contributions ZIMCHE is now surviving and running its affairs.

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Confederation of Zimbabwe Industries Manufacturing Sector Survey: Taking Industry to the Next Level, September 2014 Finscope Consumer Survey Zimbabwe, 2014
Innovative approaches to competing in the global marketplace: Critical success factors for SMEs in the Zimbabwean lodging industry

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ABSTRACT

The Zimbabwean tourism and hospitality sector is regarded as an important pillar of the economy, together with mining. The sector is made up of 60% Small and Medium Enterprises (SMEs), especially in the lodging subsector. Although the SMEs are important in the lodging industry of Zimbabwe, little is known about how they can prosper under a globalised marketplace and the role of globalisation on their marketing strategy. SMEs in Zimbabwe have indicated a challenge in reaching international markets and ability to get return customers. The lodging industry SMEs today contend with a new, sophisticated, knowledgeable and demanding customer who has increasingly become familiar with emergent quality products which requires flexible, accessible, interactive products and communication with the service provider. This paper suggests a framework for SMEs’ success in making, enabling and keeping promises to the globalised consumer. The framework takes cognisance of the contemporary issues driving success in the general hospitality marketplace today, spearheaded by the role of information and communication technologies, use of green methods, receptive employee behaviour and training and corporate social responsibility among others. It is suggested that a continuous business process re-engineering is needed in order for lodging industry SMEs to take advantage of the unprecedented opportunities available in the global marketplace.

Key words: SMEs, lodging industry, ICTs, globalisation, Zimbabwe green hospitality, new tourism

INTRODUCTION

The Small and Medium Enterprises (SMEs) make up 50% of the Zimbabwean Gross Domestic Product (GDP), (Reserve Bank of Zimbabwe, 2013). SMEs also make up 60% of the Zimbabwean economy. SMEs in Zimbabwe (especially in the lodging sector) have indicated challenges in reaching international markets and getting return customers (SMEAZ, 2014). The lodging industry also known as the hospitality sector is a sub-sector of the wider tourism and hospitality industry and contends with a new, sophisticated, knowledgeable and demanding customer who has increasingly become familiar with emergent quality products and requires flexible, accessible, interactive products and communication with the service provider (Raj, 2014). The contemporary issues driving success in the general hospitality marketplace today are spearheaded by the role of information and communication technologies (ICT), use of green methods, receptive employee behaviour and training and corporate social responsibility among others (Raj, 2014). SMEs in the lodging industry need to be responsive to these drivers of the paradigm shift by embracing ICT, training employees, optimising service quality and providing authentic products among other behaviours.

PURPOSE

The purpose of this paper is to discuss the contemporary issues affecting the ability of Zimbabwean lodging sector SMEs to access international markets.
METHODOLOGY
The paper is based on desk study and analysis of emerging literature on contemporary methods of marketing lodging facilities.

LITERATURE REVIEW
Importance of the Small & Medium Enterprises in the Zimbabwean Hospitality Sector
In Zimbabwe, the SMEs account for fifty per cent of the Gross Domestic Product (GDP). It is also estimated that sixty per cent of the Zimbabwean economy is made up of SMEs (Reserve bank of Zimbabwe RBZ, 2012). Spring (2009), notes that the definition of small and medium enterprises is highly contested worldwide. Available definitions are more applicable to the manufacturing sector. World Bank (2002) describes small enterprises as those with up to fifty employees, total assets of up to three million USD and total sales of up to three million USD while medium enterprises are those organisations with up to 300 employees, total assets of up to fifteen million USD and total annual sales of up to US$15 million. This study argues that defining SMEs in umbrella terms may not be enough to show the variety of organisations represented by this sector. Therefore, this study will borrow from Esbashi, Sakai and Takada (1997)’s description of SMEs which differentiates between SMEs in the manufacturing sector and those in the trading and services sector. Another dynamic differentiating Zimbabwean SMEs from those in other countries is the scale. It seems Zimbabwean SMEs produce much less than US$15million and employ less than 300 employees. Small enterprises are defined in this study as those companies registered under the companies Act Chapter 24.01, who employ up to fifty employees in the manufacturing sector or up to ten people in the trading and services sector. Medium enterprises on the other hand comprise of those companies registered under the Companies Act and employ between eleven and hundred employees in the manufacturing sector or between eleven and fifty employees in the trading or services sector. The later definition is more suitable for small and medium enterprises in the Zimbabwean lodging sector.

The Zimbabwean lodging sector, also known as the hospitality sector, is part of the wider tourism and hospitality industry. The tourism and hospitality industry is a key economic driver in Zimbabwe, contributing ten per cent to Gross Domestic Product (GDP) (Ministry of tourism, 2014). The industry is made up of up to sixty per cent SMEs. Most of the SMEs operate bed and breakfast lodges, guest houses and small hotels of up to 20 rooms in various parts of the country (Muchenje, 2010). The viability of the SMEs participating in this industry is important considering their contribution to GDP, to employment and the economy in general (Ruzivo Trust, 2012). There is considerable ease in getting into the lodging sector due to the limited barriers to entry in this subsector. Requirements for registration by the Zimbabwe Tourism Authority (ZTA) are also fairly easy to achieve. However, many SMEs in the lodging sector will likely face viability challenges as the world economy continues to shift due to globalisation (Raj, 2014). The world economy continues to move towards integration as a result of advances in information communication technology and increased reduction in trade barriers (Raj, 2014). In view of this development, some of the greatest opportunities for SMEs will derive from their ability to participate in the regional and international markets (Mutula and Brakel, 2006). Globally, the hospitality sector has experienced a paradigm shift as the nature and characteristics of the customers continue to change (Poon, 1993).

Nature and characteristics of the globalised consumer
Globalisation has affected the tourism consumer in a tremendous way. Poon (1993) proposed the concept of new tourism. New tourism is characterised by “super-segmentation of demand; implying the need for flexibility of supply and distribution (ibid). It also calls for the achievement of profitability through transverse integration and integrated values instead of economies of scale” (Raj, 2014:1). Poon, 1993, identifies the changes which have been experienced in relation to tourism in the globalised world as:

a) new consumers
b) new technology,
c) new forms of production,
d) new management styles and
e) new prevailing circumstances.

This spells a complete change to the way lodging business should be done if it is to appeal to the new tourist. Raj (2014) alludes to the role of information and communication technology, increase in environmental awareness popularised by the concept of sustainable development (Hall and Lew, 1998), increase in social responsibility and need for increasing flexibility in dealing with the new tourists. Tourists have also become more educated, experienced and independent. They have become conservation-minded, respectful of cultures and insistent on value for money. Bulios (2013) describes these new consumers as ‘super-consumers” who defy the normal segmentation skills of business operators. He further suggests a consumer-led framework to understanding the needs of the consumers. This paper suggests the following as some of the approaches to ensure that Zimbabwean SMEs in the lodging sector compete in the global marketplace;

- Embracing Information and Communication technologies (ICTs)
- Adopting green operational methods
- Managing employee behaviour
- Engaging in corporate social responsibility and
- Embracing continuous improvement

**OPTIMISING THE USE OF ICTS**

Adoption of ICTs enables SMEs to compete on a global scale with improved efficiency and gain closer customer and supplier relationships. Zimbabwean SMEs in the lodging sector should consider ICT as an important tool to take advantage of global markets. Below is a discussion of some of the ways in which SMEs in Zimbabwean lodging sector can improve the use of ICT in their business:

**Interactive websites**

Web presence is one of the most important ways to make international customers aware of the presence of one’s lodging facility. However, simple presence on the internet through a website is now becoming inadequate. Interactivity between the business and its clients is a key component for business success in today’s highly connected world. Customers will most likely favour and frequent for bookings, those lodging business websites where they will have an opportunity to interact with the service provider, through a forum, live chat or contact form to mention a few. SMEs in the Zimbabwean lodging sector need to develop websites for their businesses and make these websites interactive.

A contact form is a facility where a prospective client visiting a website is able to leave an enquiry for the business on the website and provide their contact details including an email address. Email is regarded as one of the most effective and practical method of communication. SMEs in the Zimbabwean lodging sector should also make sure that the contact form application links to a facility back home that they check regularly so that they actually receive and respond to website generated enquiries on time.

Adding a blog to the website is another way of making the website interactive. A blog enables visitors to the website to leave comments on website content, subscribe to promotion-alerts or newsletters. Blogs also enable both the SME and the consumers to add fresh content any time.

Social networks have become the new reference centres for consumers. The advent of social networks has changed the way hospitality business is operated. SMEs in the Zimbabwean lodging sector can link social networks to their websites. Some of the most important include; Facebook, Google, LinkedIn, Skype, Yelp, Twitter, Trip Advisor, AirBnB and IgoUgo (Armstrong, 2014). These social networks can be linked to the website so that consumers can follow developments which are taking place at the lodging facility through
the social network accounts on the website. It is also easier for the SME to reach out to as many people as possible on these social networks. Visitors can sign up so that they are instantly notified whenever the service provider’s websites has new content.

Social bookmarking is a facility where visitors to a website are able to save content to their internet browser favourites and they can recommend it to others (Armstrong, 2014). It makes it easier for consumers to refer their friends to the lodging business’s website.

Websites can also be made interactive by adding a forum. This is a facility on a website where consumers can ask questions and receive answers either from the SME or from other consumers who have experienced the lodge’s services. It gives the SME a chance to discover some of the gaps in the services that they provide and a chance to fill them. A forum also encourages consumers to follow the website as discussion threads started can continue for weeks (Armstrong, 2014). This gives the SME an opportunity to easily lure consumers to the lodging facility by continually updating information about new and improved services available at the lodge.

A live chat feature can also be added to increase a website’s interactivity. This facility allows consumers to connect to the SME immediately. It is a way of showing customers that the SME values them and is ready and available to attend to their needs and enquiries.

Interactivity between consumers and the lodging facility can be enhanced through the use of electronic newsletters. Customers can either subscribe to the electronic newsletter through the website or the SME can collect their email addresses when customers book at the lodge and add them to a mailing list for the customers to receive periodic electronic newsletters. The electronic newsletter helps the SME to establish a long-term relationship with the customers as they provide the SME with a platform to consistently offer valuable information. Electronic newsletters are an affordable way of building trust among the consumers.

Responsive Websites
One of the most important characteristics of the new tourist is their mobility. Coussemet (2013) notes that today’s consumers are ‘always connected’ and this has changed the dynamics of the relationship between the hospitality entity and the customer. Communication is no longer static and episodic (Coussemet, 2013). In the same vain, websites should be responsive so that customers are able to access information as they need it. Customers are no longer tethered to desktop devices but have adopted the use of various mobile devices (Coussemet, 2013). This is to the advantage of the SMEs because the duration of time of potential interaction has expanded and the SMEs can push information to their customers more frequently. However, the implication of this development is that websites should be designed in such a way that they can suit various screen sizes (Olenski, 2014). The website should be designed to be mobile-friendly. The same site should have elements that will respond correctly to different sizes of devices. Tourists will try to view website content while they are in transit from smartphones, tablets, wrist watches or laptops.

Presenting products on the website
Along with making the website interactive and responsive, SMEs should present their products to show exactly what they have on the ground (Withiam, 2013). A website is a medium to show a snippet of the available services, thereby creating zeal within the potential customers, of having a real interaction with the products portrayed. SMEs should aim to display high quality photographs and videos of services and facilities that are genuinely available. SMEs should take time to work on their lodging facility before advertising to avoid making false promises.
Critical success factors for SMEs in the Zimbabwean lodging industry

Presence in Social Networks
Mahmood and Khan (2012) noted that common sayings of the past like “you do one thing bad and ten people will know by word of mouth” have been changed by the arrival of social networks. Now we say “you do one thing bad and one million people will know by word of mouth” (Mahmood and Khan, 2012). Social networks are not a form of direct communication with a specific potential customer, but lead to interactive dialogue hence any message fed into the network can become viral (Olenski, 2014). The advent of social networking is a double edged sword for SME lodges and hotels. SMEs can use social networks to reach global audience even in remote corners of the world. The most popular social networks include Facebook, Google, LinkedIn, Skype, Yelp, Twitter, Trip Advisor, AirBnB and IgoUgo. Armstrong (2014) notes that 80% of travel planning starts on the internet sites like Trip Advisor, which has more than 125 million reviewers. At least 53% of Trip Advisor users say they would never stay in a hotel without a review (Armstrong, 2014). This poses a challenge for Zimbabwean lodge operators, especially SMES. Ryan (2011) emphasises the change in the hotel manager’s job which should now include the management of reviews on social networks like TripAdvisor and Yelp. Failure to read through the hotel’s reviews means that a lodge can continue making the same mistake and disappointing the customers. Reading through reviews, and where necessary, responding to them or making necessary improvements in case of negative reviews, will make sure that the lodge continues to improve service. Due to the number of reviewers on each of these sites, good service provided will for a long time act as a springboard for the lodge and will help it attract many clients from all over the world. Ryan (2011) also adds that reading reviews sometimes brings out aspects which can easily be ignored by managers as insignificant. Managers can also read other lodging facilities’ reviews and learn what customers are enjoying at the competitors’ lodges. This can be a source of vital information for differentiating products and makes espionage really no longer necessary.

Increasing the channels of communication
The proliferation of ICTs has made communication easy for SMEs. SMEs should take advantage of all the different available modes of communicating with customers from all over the world (Ryan, 2014). The increase in flexibility will appeal to the new tourist who is always connected and demands flexibility. Examples include; communicating through live chats, WhatsApp, Skype, Viber, email etc. SMEs should subscribe to as many of these communication channels as possible to enhance the ease of connecting with the potential customer.

SMES in the lodging sector can also make use of ICTs through integrating products. Apart from just offering accommodation and meals, they can link their website to other services and facilities available nearby, to broaden the range of activities for their customers. An example is linking the hotel website to other services in the area, like a fishing trip or a trip to a cultural village.

EMBRACING GREEN OPERATIONAL METHODS
There is increasing awareness of the importance of climate change for tourism. Although the lodging sector has been considered as having less negative impacts on the environment, recently the sector has joined in the war against environmental degradation (Kostuch, 2002). Lopez-Gomero et al, (2011: 2) describe the lodging sector as one of the ‘silent destroyers’ of the environment which has since gradually attracted more attention from environment scholars. It operates on a daily basis and it consumes considerable amounts of water and energy and generates large amounts of waste. Apart from contributing to environmental degradation in some cases, most lodges suffer loss of profitability due to non-green approaches to business due to high energy costs, and costs of waste removal associated with the business. Graci and Dodds (2008), argue that greening lodging operations brings numerous benefits including reduced costs of energy.

In the recent past, travellers have shown an inclination towards greener lodges. Lee et al (2010) note that the most convincing indicator of consumer activation with regard to green management is the growing number of people who are willing to purchase environment-friendly products. Initially, the major reason for a lodge
to go green was to comply with government regulations and saving money by reducing waste and energy use. However, since a growing number of customers are now demanding green lodges, the green management has become directly associated with product quality, employee morale (Enz and Sigauw (1999), customer satisfaction and demand (Manaktola and Sigauw (1999), the willingness to pay a premium for green products and corporate image (Mensa, 2006; Penny, 2007). Shrier (2012) argues that tourists are mostly concerned about environmental issues. Green management has rapidly become a strategic tool that can enhance a lodge’s competitive advantage.

SMEs can adopt a number of ways to green their operations including designing their buildings in ways that increase the use of natural lighting. Lodges can also be constructed out of renewable resources, for example thatch, instead of using roofing sheets or asbestos roofing tiles, building using earth or up cycled resources like used tyres (www.earthships.com).

Another well-known way to green hotel operations is recycling of waste food and waste water (Mbasera and Mutana, 2014). The use of renewable sources of energy, for example solar, biogas and wind can also contribute to making a hotel’s operations green.

As alluded to earlier on, greening operations can be turned into a selling point. Although in Zimbabwe currently, no organisation offers certification for green hotel operations, SME organisations can come together and form a board which certifies green hotels and lodges. Once advertised, customers can easily recognise such a certification as long as the prescriptions are in line with internationally recognised values. Another way is for SMEs to get internationally recognised certifications for example, Green Globe.

**EMPLOYEE BEHAVIOUR**

The importance of employee behaviour in the success of the lodging organisations can never be over-emphasised. The industry relies heavily on employees for offering services to guests. Organisations which manage to train their employees and cultivate a good relationship with them will have employees exhibiting Organisational Citizenship behaviour (OCB). Organisational citizenship behaviour is the universal set of behaviours exhibited by an employee that are supportive, discretionary and beyond the normal job requirements (Khalid, 2009). How does a lodge operator ensure that employees get to this stage? Training, employee relations and employee policy guidelines are some of the tools available to SMEs for guiding the behaviour of employees.

Employees need to be trained in various aspects, including communication languages for example; English, French, Mandarin and Portuguese, facial expression, posture and even dressing (Khalid, 2009). SMEs who throw their employees in the ‘deep-end’ without training, risk losing valuable customers due to mistakes which could be easily avoided. Language is an important medium of communication. Having an employee who can speak the guest’s language will go a long way in making the guest feel welcome. Depending on the customer segment targeted by the lodging facility, employees should have a fair understanding of the language used by the customer.

Employee dress code is a key success factor in instilling confidence in customers. Having a uniform in place reduces the risk of employees coming to work dressed inappropriately. SMEs need to establish a unique uniform which clearly communicates their values. The uniform needs to be appropriate, depending on the department in which the employee is working. For example, if an employee is working in the kitchen, it is important that they wear appropriate and clean uniform.

Employee behaviour can also be enhanced by putting policies in place, to guide the employees in consistent behaviour (Tyler, 2005). Employees need to be trained in important routines which ensure consistent quality. For example, routine walks around the facility to spot any blown up light bulbs, leaking pipes, over-growing shrubs etc. Routine checks may also include the manager spending a night at the lodge once in a while to experience the night-time services offered by the lodging facility. This will help in the evaluation of any disturbances that guest experience during the night.
Employee behaviour can also be improved by involving the guests in shaping it through feedback (Tyler, 2005). Tools for service quality evaluation should be put in place so that customers feel they are part of the growth of the enterprise. It also shows that the lodging facility has a customer focus.

Employee behaviour and service quality
Another dynamic which is often influenced by employee behaviour is service quality. Zeithaml, Parasuraman and Berry (1988) developed a framework for measuring service quality known as SERVQUAL. Their framework identifies five dimensions against which quality of services should be measured; reliability, assurance, tangibles, empathy and responsiveness (RATER) (Sulieman, 2013). Reliability is described as the ability by employees to perform the promised service accurately on the first occasion. Assurance is the knowledge and courtesy of employees and their ability to convey trust and confidence. Tangibles include the physical evidence, supported by the physical facility, appearance of personnel, tools and equipment and presence of other guests in the facility. Empathy includes the provision of caring, individualised attention to customers while responsiveness concerns the willingness by employees to help customers and to provide prompt service.

Analysis of the five dimensions of the SERVQUAL framework shows that service quality is a function of employee training and is in line with developing organisational citizenship behaviour. The customer being served is one who is well-informed, has access to information and demands value for money, hence the need to train and retrain employees to offer the expected levels of quality is a prerequisite. One dimension of quality tangibles calls on the hotel owner to make sure that the facility is appealing in appearance. This dimension can be enhanced by keeping the gardens and surroundings of the lodging facility up-to standard, repairing the lodging facility and ensuring that there are appropriate information signs among other activities.

CORPORATE SOCIAL RESPONSIBILITY
Corporate Social responsibility (CSR) involves activities by a business entity which shows that it achieves commercial success in ways that are ethical, respect humanity and the natural environment (Clark, 2006). Although there is no agreed definition for CSR, the centrepiece for all available definitions is that business should have a positive impact on the community and should meet and exceed public expectations of good corporate citizenship.

There are several ways through which SMEs in the lodging sector can participate in CSR. For CSR to work for SMEs in competing in the global marketplace, it should be international or and advertised on international platforms. SMEs should make sure that they write about their CSR activities on their website and on social networks they are subscribed to. SMEs should also aim to participate in CSR campaigns which are international in nature for example Breast Cancer month, Earth day, National Tree Planting day and International tourism day. SMEs should make deliberate efforts to participate and work together with communities to build trust among customer groups. Another way to show CSR is to celebrate the culture of others, especially target markets. For example, a lodge can attend the French night at Alliance Francais.

AUTHENTICITY-UNIQUENESS OF PRODUCT
In order to compete successfully in the global market, SMEs providers should aim to offer authentic and differentiated products (Mkono, 2010). SMEs in Zimbabwe can create a niche by providing authentic Zimbabwean products, for example, by including traditional dishes on their menus and giving the dishes authentic traditional names (sadza remhunga ne ishwa). These unique traditional dishes can then be advertised on the hotel’s website with illustrative pictures and a description of the dish (without necessarily changing the dish’s name).

Authenticity can also be enhanced by adding a traditional flare to services provided, for example, bringing in a traditional dance group to entertain guests. These experiences enrich the guests’ memories and conjure more positive reviews.
Authenticity is also enhanced by being on the right side of the law. SMEs should aim to be properly registered and licenced, use licenced software instead of pirated ones, and play properly purchased music instead of pirated music. The customer being dealt with is educated, well researched and connected. Piracy, if discovered, can tarnish the service provider's image and cause the guests to lose trust in the service provider.

CONCLUSION
The developments in the lodging sector, which have been largely driven by developments in ICT, pose a doubled-edged opportunity for SMEs in the Zimbabwean lodging sector. The new tourist, who is more educated, connected, mobile and environmentally aware, imposes a paradigm shift in the way in which SMEs in the lodging sector practice business. The new success factors for competing in the global market place include designing interactive and responsive websites, participating on social networks, managing employee behaviour, monitoring service quality and offering authentic and differentiated products. The globalisation of the tourism markets have availed unprecedented opportunities for SMEs, which if harnessed, can bring overwhelming success.

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Exploring the root causes of the de-industrialization of the Zimbabwe’s manufacturing sector (2009-2014)

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ABSTRACT

Capacity underutilization is often cited as evidence that Zimbabwe’s manufacturing sector is undergoing a process of “de-industrialization”. This study proposes that this process can be traced to two interrelated factors: competition from imported products as a result of the dollarization of the economy and the undercapitalization of the firms. The purpose of the study was to measure the extent to which manufacturing firms in Zimbabwe can be said to be “undercapitalized” and to trace the source(s) of capacity underutilization. The study used published financial statements of a stratified random sample of eighteen manufacturing firms listed on the ZSE and concluded that Zimbabwe’s manufacturing firms were operating on an aged asset base and were using an inappropriate competitive strategy. This strategy needs to be consciously reversed and new capital needs to be attracted using a modified form of “venture capitalism”.

Key words: Capacity utilisation; undercapitalization; relative age of assets; total assets turnover; return on assets; operating margin.

1. INTRODUCTION

One of the major challenges facing Zimbabwe’s economy today is the “de-industrialization” of its manufacturing sector. This de-industrialization is reflected in the underutilization of the existing productive capacity. Related to this, is the urgent need to recapitalize the sector.

2. BACKGROUND TO THE STUDY

On the 12th of April 2009, the Reserve Bank of Zimbabwe formally suspended the Zimbabwe dollar as legal tender. Though a basket of several currencies, among them the United States dollar (USD), and the South African Rand, was formally adopted to replace the Zimbabwe dollar, informally, Zimbabwe became a “dollarized” economy due to the relative popularity of the USD in comparison with the other currencies.

The biggest challenge arising from the dollarization of the economy was that it was not supported by significant foreign reserves at the Reserve Bank of Zimbabwe (RBZ). The RBZ was itself in serious debt such that by 30 June, 2010, it owed USD 1.3 billion to various foreign institutions and governments such as the South African Reserve Bank, the Malaysian Central Bank, Reserve Bank of Malawi, Government of Equatorial Guinea, Eximbank of China, Government of South Korea, other local financial institutions and private corporations (RBZ, 2015). Therefore, the RBZ could no longer play its role as a lender of last resort, resulting in a severe liquidity crisis in the country.

The result of all this was that convertibility became a real problem in that there was no official exchange rate at which former monetary balances in the Zimbabwe dollar could be converted to the United States dollar (Ploch 2009). This lack of convertibility had a severe negative impact on the continued viability of most companies in that balance sheets had to be converted to the USD and yet there was effectively no cash in USD terms to support the new values. In addition to this, there was a general shortage of liquidity in the economy with bank deposits being reported at only 1.5 billion USD by December 2009. This meant that most companies were forced to borrow from the financial sector at very high interest rates (up to 33% per year) in order to strengthen their balance sheets and finance their working capital requirements. Due to the
general shortage of equity financing (shareholder-supplied funds) on the market and relatively high borrowing
levels, most companies were forced to operate on highly geared balance sheets (high percentage of long-
term debt relative to shareholder-supplied funds) and high interest commitments. Both these events had
the effect of reducing the profitability of companies under a very financially risky operating environment.

This operating environment was worsened by a severe deficit in the financing of infrastructure and social
services. According to STERP (2009), this deficit was estimated at about 5 billion USD at that time. Deficits
in infrastructural support, especially electricity and power supply, put a severe strain on the productive
capacity of manufacturing firms. General social support, such as health, education, water and sanitation,
also suffered deficits in financing, which were indirectly detrimental to the productive capacity of firms.

<table>
<thead>
<tr>
<th>Table 1: Funding requirements per sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
</tr>
<tr>
<td>Agriculture</td>
</tr>
<tr>
<td>Specially Targeted Vulnerable Groups</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Health</td>
</tr>
<tr>
<td>Water &amp; Sanitation</td>
</tr>
<tr>
<td>Capacitation of Local Authorities</td>
</tr>
<tr>
<td>Capacitation of Rural District Councils</td>
</tr>
<tr>
<td>Support to Industry</td>
</tr>
<tr>
<td>Electricity</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: Sterp (2009 p119)

The manufacturing sector survey released in October 2014 by the Confederation of Zimbabwe Industries
(CZI) reported that manufacturing capacity utilization rate had dropped by an average of 13% per year
between 2010 to 2014, and stood at a mere 36.60% by September 2014. This means that at that time, only
about 37% of the total assets base was being utilized, with the rest lying idle. This level of capacity utilization
is very low in comparison with the average in the SADC region, which ranges between 70% and 80%, with
South Africa having the highest.

The rate of manufacturing capacity utilization in Zimbabwe is related to the growth rate of the Gross Domestic
Product (GDP). As shown in Figure 1, capacity utilization was at its peak in 2011 at 52%, when the growth
rate of the GDP also peaked at 9.3% in the same year.

The regression line in Figure 2 below shows that the relation between the two variables is significant, with
an $R^2$ of 45.5%. This means that at least 46 percent of the decline in the capacity utilization rate can be
attributed to GDP growth. There are many other variables, however, that could have resulted in the decline
of capacity utilization.

The decrease in capacity utilization was accompanied by a noticeable decrease in the contribution of
manufacturing to GDP. In 1990, the contribution of the manufacturing sector to GDP was over 25 percent
but by the beginning of 2014, it had dropped to less than 11 percent, resulting in considerable pressure on
trade deficit as most hitherto manufactured products were now being imported.

This severe drop in the utilization of existing capacity is clear evidence of the de-industrialisation of the
Zimbabwean economy. Though this phenomenon has been attributed to many factors, such as the flight of
Exploring the root causes of the de-industrialization of the Zimbabwe’s manufacturing sector (2009-2014)

foreign direct investment, the introduction of the multicurrency system was an important catalyst. The advent of the multicurrency system, particularly the United States Dollar, an internationally convertible currency, opened the floodgates for the importation of foreign-produced goods, effectively wiping out the demand for locally produced products. The productive “capacity” that is currently installed, regardless of the level at which it is being used, is too weak to withstand this influx of competitively priced products on the local market. The problem has been compounded by deflation, which is currently being reported at minus 1.2%, resulting in depressed demand for goods and services.

Figure 1: Capacity utilisation rates and GDP growth rates (2009 – 2014)

Source: CZI (2014)

Figure 2: Relationship between GDP growth rate and capacity utilisation rates

$y = 1.952x + 31.19$

$R^2 = 0.455$
3. PURPOSE OF THE STUDY
The hypothesis behind this study was that the source of the apparent “de-industrialization” of Zimbabwe’s manufacturing sector is two-pronged: capacity underutilization combined with undercapitalization. Since GDP growth rate does not entirely explain the decline in capacity utilisation, other variables are also relevant to the issue. The two variables that are closely related to this are: sales generation and operating margins. The purpose of the study was therefore to measure the extent to which Zimbabwe’s manufacturing firms can be said to be “undercapitalised” and to discover the factors leading to the underutilisation of assets.

4. OBJECTIVES OF THE STUDY
The study proceeded on the basis of the following objectives:
4.1. To measure the efficiency with which assets are being utilised in revenue generation and profit creation and therefore the extent of capacity utilisation in the sector.
4.2. To measure the extent to which the firms are undercapitalised.
4.3. To recommend “best” practices for improving efficiency in assets utilisation and the capitalisation of firms when the capital markets are inadequately funded.

5. REVIEW OF THE LITERATURE
5.1. Undercapitalization
Undercapitalization can be viewed as a situation in which the firm has insufficient funding to support its operations (Detamore-Rodman, 2002; Hosford, 2006). This situation will be reflected in a negative net worth in which the total liabilities exceed the total assets and implies that the firm must acquire more productive capacity (assets) which is in line with its earning capacity. It is clear from this perspective that funding is required from an external source in order to resolve the issue of undercapitalization. This funding can be in two forms. Firstly, it can be in the form of long-term debt and equity required to finance capital expenditures (non-current asset acquisitions). Secondly, short-term funding is required in the form of trade credit and short-term loans to finance working capital requirements. The critical issue in both instances is the cost of the funds. The cost of these funds should not be too high as it will have a negative impact on the continued viability of the firm (Cowling and Harding, 2005). The cost of the funds will be high if the firm borrows at high interest rates and, due to liquidity constraints, the rate of return required by equity investors is very high.

One way of determining whether a firm is undercapitalized or not is to estimate the relative age of its property, plant and equipment as a percentage of the depreciable life as shown in Equation (i) below (Freidlob and Schleifer, 2009):

\[
\text{Relative age of assets} = \frac{\text{Accumulated Depreciation}}{\text{Gross Investment in Assets}} \quad \text{.......................................................... (i)}
\]

This calculation is regarded as the best estimation of the average age of the firm’s assets because neither changes in the asset mix (additions with longer or shorter lives than existing assets) nor the timing of purchases affect the calculation. The relative age is a useful measure of whether the firm’s asset base is old or new. Newer assets are likely to be more operationally efficient than older ones. A high relative asset age implies that the firm has not been modernizing or increasing its asset base for a long time and may find it difficult to compete with firms that have more modern assets.

We can also calculate the approximate age (in years) of a firm’s assets by comparing accumulated depreciation with the depreciation expense (Freidlob and Schleifer, 2009):

\[
\text{Average age} = \frac{\text{Accumulated depreciation}}{\text{Depreciation Expense}} \quad \text{.......................................................... (ii)}
\]
5.2. Capacity utilization

Capacity utilisation is the extent to which a firm is able to use its assets to generate both revenues and earnings. A firm must generate revenues and earnings that are commensurate with the investment made in its assets. If revenues and earnings are low relative to the assets held by the firm, there will be underutilisation of productive capacity. The continued viability of the firm is threatened if an inordinate amount of its assets is lying idle and is not being used to generate both sales and earnings as this represents a cost in the form of funds tied up in these assets.

Capacity utilization can be measured in relation to earnings or in relation to revenues using three ratios (Brealey, Myers and Marcus, 2008; Grinblatt and Titman, 2012): the return on assets (ROA), the total assets turnover rate (TAT) and the operating margin (OPM). The ROA on assets provides a measure of the “earning power” of the assets. It tells us the extent to which the firm is generating sufficient earnings in relation to the assets available. It is equal to the ratio between the operating earnings, or earnings before interest and taxes (EBIT), and the total assets. The TAT provides a measure of the extent to which the firm is utilizing its assets to create revenues and is the ratio between revenues and total assets. Therefore, both ratios provide us with a measure of the extent to which the firm is “sweating” its assets in order to generate earnings and revenue, thus can be used as appropriate measures of capacity utilization. The OPM provides a measure of the efficiency with which the firm is utilising its assets to generate revenues.

These three ratios, ROA, TAT and OPM are shown in equations (ii), (iii) and (iv) below:

\[
\text{ROA} = \frac{\text{EBIT}}{\text{Total Assets}} \quad \text{(iii)}
\]

\[
\text{TAT} = \frac{\text{Sales}}{\text{Total Assets}} \quad \text{(iv)}
\]

\[
\text{OPM} = \frac{\text{EBIT}}{\text{Sales}} \quad \text{(v)}
\]

These three equations combined result in equation (vi):

\[
\text{ROA} = \text{TAT} \times \text{OPM} \quad \text{(vi)}
\]

Equation (vi) tells us that capacity utilization in relation to earnings (ROA) is determined largely by capacity utilization in relation to sales (TAT) and assets utilisation efficiencies in relation to sales, the OPM. The earning power of the assets is dependent upon the sales generated per dollar of assets and the profit generated per dollar of sales.

6. METHODOLOGY

The study used the relative age of assets to determine the level of undercapitalization. The ROA was then used to assess the level of capacity utilisation. The TAT and the OPM were then applied on the ROA to determine their effect on capacity utilisation. These calculations were made using data extracted from the published financial statements of eighteen manufacturing firms listed on the Zimbabwe Stock Exchange (ZSE).

The firms were selected on the basis of a stratified random sample consisting of 5 (27% of the sample) firms in the food and beverages sector and 13 (73% of the sample) firms that manufacture non-food products, reflecting the distribution of firms listed on the ZSE.
7. RESULTS

7.1. Undercapitalisation
Table 2 below shows the undercapitalisation rates at the end of December, 2014 as measured by the average age and the relative age of the assets. The gross investment in assets was arrived at by adding back the accumulated depreciation to the net book value of the assets at the end of 2014.

<table>
<thead>
<tr>
<th>Accumulated Depreciation (USDm)</th>
<th>Depreciation Expense (USDm)</th>
<th>Gross Investment in Assets (USDm)</th>
<th>Average Age (Years)</th>
<th>Relative Age (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFDIS</td>
<td>12.7</td>
<td>1.3</td>
<td>26.0</td>
<td>9.8</td>
</tr>
<tr>
<td>APEX</td>
<td>11.3</td>
<td>0.6</td>
<td>21.2</td>
<td>18.8</td>
</tr>
<tr>
<td>ARTZDR</td>
<td>28.0</td>
<td>1.8</td>
<td>38.8</td>
<td>15.6</td>
</tr>
<tr>
<td>ASTRA</td>
<td>13.2</td>
<td>0.7</td>
<td>21.1</td>
<td>18.9</td>
</tr>
<tr>
<td>CAFCA</td>
<td>11.7</td>
<td>0.9</td>
<td>16.1</td>
<td>13.0</td>
</tr>
<tr>
<td>COLCOM</td>
<td>21.0</td>
<td>2.1</td>
<td>37.3</td>
<td>10.0</td>
</tr>
<tr>
<td>DAITIBORD</td>
<td>30.9</td>
<td>1.3</td>
<td>73.8</td>
<td>23.7</td>
</tr>
<tr>
<td>DELTA</td>
<td>111.3</td>
<td>17.5</td>
<td>561.9</td>
<td>6.4</td>
</tr>
<tr>
<td>GULLIVER</td>
<td>12.4</td>
<td>1.0</td>
<td>25.0</td>
<td>12.4</td>
</tr>
<tr>
<td>HUNYANI</td>
<td>26.6</td>
<td>1.7</td>
<td>59.5</td>
<td>15.6</td>
</tr>
<tr>
<td>MEDTECH</td>
<td>5.8</td>
<td>0.2</td>
<td>8.7</td>
<td>29.0</td>
</tr>
<tr>
<td>NAFIPODS</td>
<td>57.2</td>
<td>2.0</td>
<td>123.1</td>
<td>28.6</td>
</tr>
<tr>
<td>NTS</td>
<td>5.1</td>
<td>0.5</td>
<td>13.7</td>
<td>10.2</td>
</tr>
<tr>
<td>PGI</td>
<td>16.7</td>
<td>1.8</td>
<td>43.4</td>
<td>9.2</td>
</tr>
<tr>
<td>PHOENIX</td>
<td>10.8</td>
<td>1.3</td>
<td>17.6</td>
<td>8.3</td>
</tr>
<tr>
<td>RADAR</td>
<td>53.2</td>
<td>4.7</td>
<td>187.3</td>
<td>11.3</td>
</tr>
<tr>
<td>TURNAL</td>
<td>42.5</td>
<td>2.1</td>
<td>89.0</td>
<td>20.2</td>
</tr>
<tr>
<td>Willdale</td>
<td>17.0</td>
<td>1.1</td>
<td>25.7</td>
<td>15.5</td>
</tr>
<tr>
<td><strong>INDUSTRY AVERAGE</strong></td>
<td><strong>15.4</strong></td>
<td><strong>50.8</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual reports and published financial results

7.2. Capacity utilisation
Table 3 below shows the capacity utilisation rates between 2009 and 2014 as measured by the ROA. It also shows the relationship between the ROA, the TAT and the OPM for each firm.
Table 3: Capacity utilisation rates for Zimbabwean manufacturing firms (2009 – 2014)

<table>
<thead>
<tr>
<th>Company</th>
<th>Average Total Turnover (USDm)</th>
<th>Average Operating Profit (USDm)</th>
<th>Average Total Assets (USDm)</th>
<th>ROA = TAT x OPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFDIS</td>
<td>16.7</td>
<td>1.5</td>
<td>16.0</td>
<td>0.10 = 1.04 x 0.09</td>
</tr>
<tr>
<td>APEX</td>
<td>7.3</td>
<td>-0.8</td>
<td>18.2</td>
<td>-0.05 = 0.40 x -0.11</td>
</tr>
<tr>
<td>ARTZDR</td>
<td>17.0</td>
<td>1.0</td>
<td>30.3</td>
<td>0.03 = 0.56 x 0.06</td>
</tr>
<tr>
<td>ASTRA</td>
<td>13.5</td>
<td>1.1</td>
<td>19.1</td>
<td>0.06 = 0.71 x 0.08</td>
</tr>
<tr>
<td>CAFC</td>
<td>12.7</td>
<td>0.8</td>
<td>14.1</td>
<td>0.06 = 0.34 x 0.07</td>
</tr>
<tr>
<td>COLCOM</td>
<td>30.0</td>
<td>1.8</td>
<td>37.3</td>
<td>0.05 = 0.80 x 0.06</td>
</tr>
<tr>
<td>DAIRIBORD</td>
<td>106.9</td>
<td>9.8</td>
<td>73.8</td>
<td>0.13 = 1.45 x 0.09</td>
</tr>
<tr>
<td>DELTA</td>
<td>631.3</td>
<td>135.0</td>
<td>561.9</td>
<td>0.24 = 1.12 x 0.21</td>
</tr>
<tr>
<td>GULLIVER</td>
<td>3.4</td>
<td>-0.4</td>
<td>19.0</td>
<td>-0.02 = 0.18 x -0.12</td>
</tr>
<tr>
<td>HUNYANI</td>
<td>46.6</td>
<td>2.1</td>
<td>36.7</td>
<td>0.06 = 1.27 x 0.04</td>
</tr>
<tr>
<td>MEDTECH</td>
<td>13.8</td>
<td>0.4</td>
<td>7.6</td>
<td>0.01 = 1.81 x 0.01</td>
</tr>
<tr>
<td>NATFOODS</td>
<td>143.8</td>
<td>11.6</td>
<td>117.5</td>
<td>0.10 = 1.22 x 0.08</td>
</tr>
<tr>
<td>NTI</td>
<td>15.9</td>
<td>0.9</td>
<td>7.7</td>
<td>0.12 = 2.07 x 0.06</td>
</tr>
<tr>
<td>PGI</td>
<td>33.6</td>
<td>-4.9</td>
<td>36.4</td>
<td>-0.13 = 0.92 x -0.15</td>
</tr>
<tr>
<td>PHOENIX</td>
<td>9.8</td>
<td>-0.8</td>
<td>10.7</td>
<td>0.07 = 0.91 x 0.08</td>
</tr>
<tr>
<td>RADAR</td>
<td>17.9</td>
<td>0.3</td>
<td>169.3</td>
<td>0.01 = 0.11 x 0.01</td>
</tr>
<tr>
<td>TURNAL</td>
<td>42.5</td>
<td>4.3</td>
<td>68.0</td>
<td>0.06 = 0.63 x 0.10</td>
</tr>
<tr>
<td>Willdale</td>
<td>3.0</td>
<td>-0.5</td>
<td>25.7</td>
<td>0.02 = 0.12 x -0.17</td>
</tr>
</tbody>
</table>

**INDUSTRY AVERAGE**

<table>
<thead>
<tr>
<th>ROA = TAT x OPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.05 = 0.79 x 0.06</td>
</tr>
</tbody>
</table>

Source: Annual reports and published financial results

8. DISCUSSION

These findings indicate that the average age of depreciable (productive) assets held by manufacturing firms in Zimbabwe at the end of 2014 was slightly above 15 years, implying that productive technology currently in use was developed 15 years ago. The relative age was also about 51% on average, implying that the assets had been depreciated by more than half of their useful lives, resulting in high maintenance and production costs for the firms. The implication of all this is that generally, the plant and equipment in use is technologically outdated, making it difficult for these firms to produce competitively priced products.

With respect to capacity utilisation, the findings indicate that the average ROA was 5% during the period 2009 to 2014. This means that the earning power of the assets was very low, with only 5 cents in operating earnings being realised from a dollar of investment in assets. The TAT was found to be 79% on average, implying that one dollar of assets was generating about 80 cents of sales. This was a fairly high figure, meaning that the firms were doing their utmost to “sweat” the available assets base for sales. The high TAT can also be explained by the relative age of the assets in that sales were being generated more and more on a dwindling asset base. Thus sales were high relative to the size of the asset base.

Due to the age of the assets base, however, accompanied by outdated technology, there are inherent inefficiencies in the manufacturing process. This is reflected in the very low average OPM of 6% showing that only 6 cents of operating profit was being realised from a dollar of sales, the balance of 84 cents going towards manufacturing costs and operating costs. High production costs and high operating expenses tended to drastically erode the earning power of the assets.
9. CONCLUSIONS AND RECOMMENDATIONS

The average relationship between the ROA, the TAT and the OPM for the whole industry was found to be:

\[
\text{ROA} = \text{TAT} \times \text{OPM}; \quad 0.05 = 0.79 \times 0.06
\]

This implies that the earning power of the assets was being driven mainly by sweating assets for sales at low profit margins. This “low-cost” strategy can work if the high asset turnover is being used to compensate for low operating margins as a deliberate competitive strategy. However, in the case of Zimbabwe’s manufacturing firms, this is not entirely deliberate in that the firms have had to use a continuously aging asset base which is dwindling in size. The low margins are the result of high production and operating costs accompanied by declining sales revenues.

9.1 Strategy reversal

The current “low-cost strategy” needs to be reversed by adopting “product differentiation” strategy which calls for quality improvements and product branding. The strategy also calls for the introduction of new production techniques based on an improved asset base. This would result in the reversal of the relationships between the three variables in such a way that the ROA is now driven more by operating margins than by asset turnover rates. For this to be achieved, greater operating efficiencies have to be introduced in order to reduce the operating expenses as well as the costs of production.

\[
\text{ROA} = \text{TAT} \times \text{OPM} : \quad a = bc, \quad \text{where } c > b
\]

Zimbabwean consumers, having been exposed to imported high quality products, now demand the same from local producers. The best practice worldwide is now about producing quality at a reasonable and affordable price and not simply “low-cost” but poor quality products. This calls for the re-tooling of the productive capacity with the appropriate technology.

9.2 Attracting foreign direct investment

One way of accessing new technology, and through that foreign direct investment, in the face of liquidity constraints on the local capital market is to offer some equity in the firm to the foreign investor in exchange for current production technology as well as export markets. This equity participation is also accompanied by management participation at board level in order to enable the investors to monitor their investment in the business more closely. This is akin to re-introducing venture capitalism into an established firm with an existing but weakened brand.

The Zimbabwe Stock Exchange Listing Rules, however, stipulate that the maximum equity that a single shareholder can own in a locally-listed company is 35%, without having to make an offer to minority shareholders. Thus, this requirement tends to put a cap on the extent to which a firm can access external technology through an equity based acquisition of such technology. Those companies that have done so successfully have had to delist their shares from the stock exchange first in order to enable the foreign investor to bring in a reasonably large amount of equity (indirectly through the sale of modern technology).

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Exploring the root causes of the de-industrialization of the Zimbabwe’s manufacturing sector (2009-2014)

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Factors affecting the embracing of strategic planning by Small and Medium Size Enterprises: A case study of travel and tour companies in Harare town

Takaruza Munyanyiwa, Morgen Mutsau
University of Zimbabwe

ABSTRACT

This study sought to investigate factors affecting the adoption/embracing of strategic planning by Small and Medium Size Enterprises (SMEs) enterprises operating in the tourism and hospitality industry domiciled in Harare town of Zimbabwe. In analysing the findings from six travel and tour operators, the research concluded that SMEs embraced strategic planning. The SWOT Analysis findings of this study are segregated into critical and non-critical factors — Critical Strengths — Self Managing; Low Cost; Flexibility; and No Bureaucracy. Flat Management Structure was the only non-critical factor. Critical weaknesses — Lack of Resources; Low skills Base; Low Bankability; Poor Management Structure; Poor Access to Markets; Centralised Management Authority; Cannot Attract/Afford Skilled Personnel; Lack of Access to Technology; and Lack of Planning. The less critical weaknesses were Low/Poor Work Culture; Lack of Long Term Strategic Focus; High Turnover of Key Personnel and Lack of Professionalism. Critical Threats — All the threats considered in this study were deemed critical: Cost of money and access to working capital; Un-stable socio-economic environment; Taxation policy; Cost of operations, office space and utilities; Increasing and changing cost of technology; Competition and Globalization of markets. Critical opportunities — ICT and Duty Rebates/Exercise Relief while the Less Critical Opportunities were Pro SMEs Policy and Government Support. The following factors under best practices were deemed Critical for Strategic Planning: Frequent Planning; Government Support, ICT Key; Understanding Environment; Business Long Term View; Linkages Critical to Business; Existence of Strategic Plan; Existence of Vision Mission Statement; Skills Key Goal Attainment and Management Planning Process.

Key words: Strategic planning, leadership, tourism, economic development, SME

1. INTRODUCTION

Small and Medium Size Enterprises (SMEs) are viewed as economic drivers employing a greater part of world employees but suffer from a myriad of operational problems compared with their counter parts in the larger formal organizations. In the current business environment, SMEs are a bed rock for economic development. In Africa, 90% of the businesses operate as SMEs and contribute towards more than 50% of employment as well as GDP. For example; the SME sector in South Africa comprises of 55% employment along with 22% of GDP, in Kenya SMEs contribute 18% of national GDP, while in Morocco the SME sector accounts for 93% of the industrial firms and 46% employment. Some of the less developed SMEs can mainly be found in Zimbabwe, Tanzania, Kenya, South Africa and Nigeria (Saravanan et al, 2008).

While the sector has been acknowledged as a key economic driver, there is still a paucity of information and research on the subject matter. Thus, more research is recommended for this sector in order to optimize its contribution to global economic development. Dun and Bradstreet statistics survey indicated that 52% of organizations fail because of management issues and as much as 90% SMEs failures are due to incompetent managers (Hasa, Mazharul, Rahman and Tawfiq, 2001). The absence of strategic planning is also noted as reason for failure. The current dynamic macro operating environment characterized by technological changes, globalization and trade liberalization, creates many challenges for SMEs threatening their competitiveness and viability (Awino, 2013). Given the growing contribution of SMEs, it has become critical that strategies on how to address the myriad of these challenges are seriously considered. Gerber (2001) identified...
management challenges affecting SMEs to include: lack of capacity, lack of clear vision, lack of business plans and business strategy; and poor strategy implementation as critical for the survival of SMEs in the current macro-environment. Antony and Onugu (2005) postulate the following strengths as characteristic of SMEs, unlike large organizations: flexibility, responsiveness, pursuit of opportunities, risk-taking, innovation, unconventional thinking and creativity. SMEs can use these strategic strengths to adapt to the ever changing business environment.

1.1 Background
1.1.1 Background to SMEs in Zimbabwe
The contribution of SMEs in the Zimbabwean economy has been characterized with debate and different views. Nevertheless, the Zimbabwean government has over the years acknowledged the importance of the sector this has led to the establishment of a fully fledged ministry overseeing its activities (Ministry of Small and Medium Enterprises). A special funding vehicle for SMEs Small Enterprises Development Corporation (SEDCO) was established with a mandate to look at funding needs of this sector. According to the study conducted by local banks through the Bankers Association of Zimbabwe (BAZ) and the Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU), there are many economic activities being conducted by SMEs that were outside the mainstream economy. In the same study findings, it was estimated that an estimated 80% of the working population is employed within the SME sector and that $7 billion was circulating within this informal economy. The study concluded that there was need to develop strategies and policies aimed at harnessing the economic value presented by SMEs. The study also highlighted the structural rigidity of the law and policy which increases the risk of undermining the perception of SMEs as key factors impacting on their growth. A report by Africa.com (2012) stated that the Zimbabwe SME sector employed 70% of the working population through an estimated 3 million projects. The sector had potential to contribute 30% to GDP and 40% to employment by 2015. The Zimbabwe Association of SMEs (2014) also lamented that there were no formal statistics that could inform the economy on the contribution of the sector.

1.1.2 The Tourism Sector in Zimbabwe
The Zimbabwe tourism sector is typical of any other tourism sector industry in the world in that it is an SMEs driven business that faces similar challenges as suggested and reviewed in the literature presented in this research. The Zimbabwean tourism and hospitality sector comprises of hotels, lodges, care hire travel agencies and tour operators. The tourism sector has in the past decade experienced low business and has in recent years been on the recovery path and set to contribute 15% to GDP in the next five years.

A typical travel agency or tour operator employs at least 5-10 employees. Most of the agencies are owned or run as sole proprietor’s entities. The perennial challenges facing the Zimbabwean tourism and hospitality sector include lack of financial resources, cost of utilities, government policy and an unstable business environment. The market has also struggled during the post 2009 to stabilize on the backdrop of economic meltdown experienced in the period 2000 to 2008.

The period 2000 to 2008 was characterized by hyper inflation and major drop of up to 80% in regional and international business and leisure travel to Zimbabwe. The drop caused major operational distress on the whole economy and this did not spare the tourism SMEs. A significant number of tourism operators on the list of registered tourism operators went out of business or stopped operations due to viability challenges (ZTA, 2012). The surviving companies are still faced with viability challenges and require assistance in the planning and running of their businesses by embracing strategic planning. Berry (1998) theory postulates that strategic planning implementation process has an influence on competitive advantage. Awino (2013) also agrees with Berry (1998) in that strategic is important to the survival of SMEs.
1.2 Problem Statement
The literature reviewed identifies a number of barriers inhibiting the success of SMEs. Salaman, (2000) categorized these factors to include: information and knowledge, political, economic, legal system, capital, market access, government issues, technology, and natural calamities. Thus the cluster can be grouped into internal and external factors. The tourism industry is fundamentally driven by SMEs and it faces some of the inherent problems and barriers reviewed in the literature. Salaman also identifies excessive regulatory systems as a barrier for the SME development. Therefore, specifically, this study sought to investigate to what extent these factors impact on the ability of SMEs to embrace strategic planning.

1.3 Objectives of Study
The study sought to investigate the factors affecting the embracing of SME enterprise strategic planning by SMEs in the tourism and hospitality industry domiciled in Harare town. In this study a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) model was to be applied in determining the ‘internal’ and ‘external’ factors inhibiting the easy adoption of strategic planning by SMEs. The below listed questions were also answered by the research:
1. What are the factors affecting the business operations of an SME in the tourism industry?
2. How far do the factors impact on the ability of SMEs to engage in strategic planning?
3. Do SMEs embrace strategic planning as part of their business model?

2. LITERATURE REVIEW
The definition of SMEs has been subject to debate from country to country. It has been varied, based on number of employees or capital employed or the use of both as criteria. Both have been used as criteria for defining SMEs across the world (Ghose, 2001). SMEs employ over 70% in low in-come countries contributing 60% to GDP and on the same contributing over 95% of total employment and about 70% of GDP in middle-income countries (Ayyagari, Beck, & Demirgüc-Kunt, 2003). The increasing contribution to the global economy by SMEs sector has seen an unprecedented emphasis by most countries towards supporting and strengthening their SMEs through various institutions and pro-people policies. The Zimbabwe government since independence in 1980 introduced the Ministry of SMEs after realizing the immense and potential contribution of the sector. In earlier periods, the Zimbabwe sector was estimated to employ 27% and contributing 12% to the national economy. Nevertheless, the contribution of the sector has been subject to debate because of paucity of information. Therefore, there is exigent need for more research in this sector. According to research by Okpara (2011); Zaied (2012); Gunerergin et al. (2012; Iijayanti & Azis (2012) the development of SMEs is key to the achievement of broader development objectives, including, economic development, and social stability through the development of the middle class and the creation of a significant number of new jobs.

According to research, many SMEs face perennial problems of lack of funding, poor management culture, poor access to markets and general viability problems (Iijayanti & Azis, 2012). SMEs are generally characterized by high failure rates and poor performance (Jocumsen, 2004). Miller and Cardinal (1994), Hormozi et al (2002) and Lurie (1987), in their review of SMEs, recommend the importance of strategic planning as key to successful a business model. O’Regan and Ghobadian (2004) and also Stonehouse and Pemberton (2002) describe strategic planning as involving setting of organizational goals, development and implementation of plans to achieve these goals including the allocation of necessary resources.

Berry (1998) opines that organizations that do not plan are most likely going to fail or the ones that plan achieve higher sales growth, return on assets, profit and employee growth (Berman et al., 1997; Carland and Carland, 2003; Gibson and Casser, 2005). Aror & Quartey (2010) highlight lack of funding as a major factor contributing to failure of SMEs. According to Dasanayaka et al., (2011) and Trianni and Cagno (2012), information barriers are related to SMEs’ accessibility to the information needed while expanding the business.
Lack of information about market opportunities and changes in technology are viewed as other barriers to innovation (Kamalian et al., 2011). Information about a firm’s external environment, such as market opportunities, changes in technology, and government policy help to make the firm more competitive (Guijarro et al., 2009).

2.2 SMEs Strategic Planning as Best Practice
Sexton and van Auken (1985) in their longitudinal analysis, concluded that the survival rates of SME that embrace strategic planning was higher and Boyd (1991) found out that smaller non-planning enterprises were bound to fail. Meta analysis study by Schwenk and Shrader (1993) correlated success with planning. The extent of sophistication in strategy depends on the complexity of the process and size of the organization. Strategic planning is not a one-size-fits-all framework. Hamel and Prahlad’s (1990) approach is applicable to SMEs given the resource constraints under which SMEs operate. Strategies available to SMEs include niching, free-riding and strategic alliances. Hamel and Prahlad “in-side-out” argue against the traditional view on the “fit” between existing resources and emerging opportunities. It is the strategic intent that fuels growth. Porters’ (1985) “out-side-in” emphasizes that the essence of strategy is “choosing to perform activities differently than rivals do.” Operational efficiency though necessary, is not sufficient for success. Literature reveals that the majority of SMEs do not take a long term view of business. Recent increase of competition is forcing SMEs to explore avenues to reduce operational efficiencies (Rao, 2000). Much has been written regarding strategic planning methods in large corporations throughout the world. Indeed, strategy researchers have tended to focus their energies on studying larger organizations in their quest to further the still-young field of strategic management. The vibrant world of SMEs, however, is fertile ground for management research of planning methodologies and strategic management of organizations in general. Yet O’Regan and Ghobadian (2000) relate that little research has been undertaken that specifically addresses the process of strategic planning and strategy-making in SMEs.

2.3 SWOT Analysis
SWOT Analysis is a process that involves identifying four major factors; Strength, Opportunities, Weaknesses and Threat. The factors are put into context in as much as they impact the performance of the organization. Strengths and weaknesses are mostly internal factors. Strengths can be used to leverage growth of the organization. Opportunities and threats are usually of an external nature. SWOT analysis is typically applied in strategic planning as it helps to identify the critical factors affecting the business both positively and negatively.

3. RESEARCH METHODOLOGY
This section provides details of the research design used for the purpose of this study, as well as the attendant research instruments and study populations which are designed and justified.

3.1 Research Design
The research design, according to Cooper (2013) is the framework that provides the overall guidance to the processes of data collection, analysis and measurement. The researchers used the descriptive research design to undertake this research. Similar study by Dehghan and Barezani (2013) used the same methodology. Some of the items included in the survey instrument were extracted from literature review and categorized into a SWOT analysis matrix. The items were spread as follows: Opportunities (4); strengths (5); threats (8) and weaknesses (13). Data was collected from six travel and tour operator companies located in Harare. The following criteria were used to guide choice of participating organizations: length in business of not less than 10 years and operating as travel agent or tour operator, located in Harare town.
3.2 Populations and Sampling Procedure
Six senior managers from the six participating agents completed the questionnaire survey instrument. They were chosen on the basis of convenience sampling, mainly because when the questionnaire was distributed, some travel agents were cooperative and others were not. Only those questionnaires that were received from those cooperative agencies were used for the purposes of analysis. Furthermore, some of the travel agents operated for a smaller number of years than those stipulated in our framework.

3.3 Data Sources
The data was collected from the respondents using the survey questionnaire. The various data elements were designed on the questionnaire to suit the SWOT Analysis and Strategic Planning framework. Otherwise, baseline data was collected from various secondary sources available on the subject are from authoritative journals and institutional repositories.

3.4 Conceptual Framework
According to this conceptual framework, the various factors that are included in the SWOT analysis have a bearing on whether or not and how strategic planning is adopted and implemented in the SMEs. Strategic planning on the other hand affects organisational efficiency as pointed out in the literature review. However, because the whole process is cyclical and ongoing, the effects on all points of the conceptual framework are dynamic.

Figure 1: Conceptual Framework

The use of SWOT analysis is normally considered to fall under the framework of environmental analysis. According to Johnson, Whittington & Scholes (2011) the environment is the source of the company’s means for survival because it provides opportunities as well as threats. The analysis of the business environment is usually split between the internal and external environment. Other models applied in assessing internal and external factors include Scholes Model (2009) presented in Figure 2.

Other models include the (PECLIST) ‘Political, Economic, Cultural, Legal, Institutional, Social and Technological’ (PECLIST) analysis (2011) which is derived from Political, Economic, Social, Technological, Environmental and Legal (PESTEL) analysis which are used to analyze the Mega environment and Porter’s five forces which are appropriate for analyzing the task environment.
4. DATA ANALYSIS
Below is a presentation of the different statistical data that emerged from the analysis done on data from six organisations in Harare. The statistical data was organised according to the Strengths, Weaknesses, Opportunities and threats since it was based on SWOT analysis. A range of items/variables were classified under each of the SWOT elements.

4.1 Response Rate
Data came from a total of six travel agencies. The Statistical Package for the Social Sciences (SPSS) was used to analyze the quantitative data collected using a survey instrument subdivided into three sections. The data was presented into frequency tables, mean scores and factor ranking. A Cronbach’s Alpha test was also undertaken in order to determine the reliability of the survey instrument. Section A — company and management information; Section B — SWOT Analysis and C — strategic planning.

4.2 Reliability of Data
The reliability of data that has been collected using a Likert scale is an important aspect of data analysis particularly in cases where the researcher has designed an instrument instead of using one that has been adapted from other studies through literature review.

Below are the test scores for the data analysis that was undertaken after the reliability tests. The questionnaire had three sections (A, B and C) and the test was conducted for only sections A and C of the questionnaire which have Likert scale variables.

Table 1: Reliability Statistics (Cronbach’s Alpha)

<table>
<thead>
<tr>
<th>Section A Data</th>
<th>Section B Data</th>
<th>Section C Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability Statistics</td>
<td>Reliability Statistics</td>
<td>Reliability Statistics</td>
</tr>
<tr>
<td>Cronbach’s Alpha</td>
<td>Cronbach’s Alpha</td>
<td>Cronbach’s Alpha</td>
</tr>
<tr>
<td>N. of items</td>
<td>N. of items</td>
<td>N. of items</td>
</tr>
<tr>
<td>.915</td>
<td>.842</td>
<td>.909</td>
</tr>
<tr>
<td>29</td>
<td>89</td>
<td>36</td>
</tr>
</tbody>
</table>

In section A, questions showed a value of 0.915 which is a very strong result because it is closer to .1 than to 0. The test scores for section B also show high level of reliability of .842 which is also closer to .1 than 0. The combined reliability test for both sections A and Section C shows a very powerful statistic as well (0.909) which is closer to .1 than 0. It can be concluded that the instruments produced reliable data from the survey.

4.3 Section A: Demographic Data

Table 2: Number of Employees

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>7</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>10</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>14</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The mean number of employees is 6; the median is 5 as well and the range is 13. However, the distribution of employees across the different SMEs shows that they are highly varied.

Table 3: Number of Years in Business

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>10</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>13</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>14</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>18</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>25</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.4 Section B: SWOT Matrix
The next section is a presentation of the SWOT sections in their respective order. For convenience of analysis, the “Strongly Agree” and the “Agree” scores are combined to form an aggregate score on respondents who generally agree, while the “Disagree” and the “Strongly Agree” scores are also combined for the same reason to get an aggregate disagree opinion.

4.4.1 Strengths

Table 4: (S1) Flexibility

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>33.3</td>
<td>33.3</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The majority (83.3%) of the respondents indicate that flexibility is strength of the organisations in the adoption of strategic planning while only 16.7% are neutral.

Table 5: (S2) Self Managed

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>66.7</td>
<td>66.7</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>33.3</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Virtually all the respondents generally feel that when an organisation is self-managed, it is a powerful strength and factor that contributes to the adoption of strategic management. (The majority, 66.7% strongly agreeing.)

The next item under Strengths is low-cost structure. The data is presented in the table below.

Table 6: (S3) Low-cost Structure

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Agree</td>
<td>5</td>
<td>83.3</td>
<td>83.3</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

All the respondents generally agree that low cost structure is an important factor and strength in the adoption of strategic planning in their organisations owisever, there are more agrees (83.3%) compared to the strongly agrees (16.7%).

Table 7: (S4) Flat Management Structure

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>33.3</td>
<td>33.3</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
<td>66.7</td>
<td>66.7</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Only 33.3% of respondents were of the view that a flat management structure is an important factor (strength) in the adoption of strategic planning while the remaining 66.7% is neutral, but not outright disagreeable.
Table 8: (S5) No Bureaucracy

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>33.3</td>
<td>33.3</td>
<td>33.3</td>
</tr>
<tr>
<td>Agree</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
<td>50.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>33.3</td>
<td>33.3</td>
<td>83.3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The results are split 50:50 between those who agree and those who disagree that absence of a bureaucracy is strength for the purposes of strategic planning.

4.4.2 Weaknesses

Table 9: (W1) Lack of Resources (Financial and Non Financial)

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>3</td>
<td>50.0</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>33.3</td>
<td>33.3</td>
<td>83.3</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

A majority of 83.3% of the respondents agree that lack of financial resources is a weakness which negatively impacts on strategic planning.

Table 10: (W2) Poor Access to Markets

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>50.0</td>
<td>50.0</td>
<td>66.7</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
<td>83.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The majority (56.7%) of respondents agree that poor access to markets negatively impacts on strategic planning while 16.7% disagree.

Table 11: (W3) Poor Work Culture

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<tr>
<td>Total</td>
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</tbody>
</table>

Only 40% agree that poor work culture is a weakness that undermines strategic planning and another 60% disagrees.
Factors affecting the embracing of strategic planning by SMEs

Table 12: (W4) Low Skills Base

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Agree</td>
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<tr>
<td>Disagree</td>
<td>3</td>
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<td>60.0</td>
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<tr>
<td>Strongly Disagree</td>
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<td>16.7</td>
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<tr>
<td>Total</td>
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</tbody>
</table>

A huge majority (80%) disagrees that low skills base impedes strategic planning while only 20% agrees.

Table 13: (W5) Poor Management Structure

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
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<td></td>
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</tr>
<tr>
<td>Strongly Agree</td>
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<td>16.7</td>
<td>16.7</td>
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<tr>
<td>Agree</td>
<td>3</td>
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<tr>
<td>Disagree</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>16.7</td>
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</tr>
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</table>

Fifty-six percent (56.7%) of the respondents agree that poor management structures undermine strategic planning while 33.4% disagrees.

Table 14: (W6) Hgh Turnover of Key Personnel

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<tr>
<td>Agree</td>
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<tr>
<td>Neutral</td>
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<td>16.7</td>
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<tr>
<td>Disagree</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
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<tr>
<td>Strongly Disagree</td>
<td>2</td>
<td>33.3</td>
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</tr>
<tr>
<td>Total</td>
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</tr>
</tbody>
</table>

A minority 33.4% agrees that high turnover of key personnel undermines strategic planning while 50% disagrees.

Table 15: (W7) Cannot Attract/Afford High Skilled Staff

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
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<tr>
<td>Strongly Agree</td>
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<td>50.0</td>
<td>50.0</td>
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<tr>
<td>Neutral</td>
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<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
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<td>100.0</td>
</tr>
</tbody>
</table>

Fifty percent (50%) strongly agrees that failure to attract key personnel undermines strategic planning while 33.4% disagrees.
A small figure of 33.4% agrees that lack of long term strategic focus affects strategic planning while 50% disagrees.

Fifty percent (50%) of respondents disagrees that lack of planning impedes strategic planning and none agrees.

Respondents are equally split between those who agree (50%) and disagree (50%) on the negative impact of lack of access to technology on strategic planning.

A small figure (56.7%) agrees that low bankability negatively affects strategic planning while the rest are neutral.
Factors affecting the embracing of strategic planning by SMEs

Table 20: (W12) Lack of Professionalism

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<td>1</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Neutral</td>
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<tr>
<td>Disagree</td>
<td>3</td>
<td>50.0</td>
<td>83.3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>16.7</td>
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</tr>
<tr>
<td>Total</td>
<td>6</td>
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</tbody>
</table>

Only 16.7% agrees that lack of professionalism undermines strategic planning while 56.7% disagrees.

Table 21: (W13) Centralised Management Authority

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<tbody>
<tr>
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<td>33.3</td>
</tr>
<tr>
<td>Agree</td>
<td>1</td>
<td>16.7</td>
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<td>Total</td>
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Fifty percent (50%) agrees that centralised management authority negatively affects strategic planning while 33.3% disagrees.

4.4.3 Opportunities
This section is concerned about the various opportunities encountered by SME travel agents.

Table 22: (O1) Government Support

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
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<tr>
<td>Total</td>
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</table>

A small figure of 33.4% agrees that government support is an opportunity for strategic planning while 50% disagrees.

Table 23: (O2) Pro SMEs Policy

<table>
<thead>
<tr>
<th>Frequency</th>
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<th>Cumulative Percent</th>
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<td>83.3</td>
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<tr>
<td>Total</td>
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</tr>
</tbody>
</table>

Once again, 33.3% agrees that a Pro-SMEs policy by government is an opportunity for implementing strategic planning while 16.7% disagrees.
Fourteen and forty percent (44%) of the respondents agree that duty rebates are an important opportunity for strategic planning while 33.3% disagrees.

Table 25: (O4) Developments in ICT

<table>
<thead>
<tr>
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<th>Cumulative Percent</th>
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<tr>
<td>Total</td>
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</table>

4.4.4 Threats

The following is the data on the various threats facing the SME travel agents.

Table 26: (T1) Increasing and Changing Cost Technology

<table>
<thead>
<tr>
<th>Frequency</th>
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<tr>
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</table>

Sixty-six point six (66.6%) of the respondents cite the increasing cost of technology as a threat to strategic planning.

Table 27: (T2) Cost of Money and Access to Working Capital

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
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<tr>
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</table>

A hundred percent (100%) of respondents think that the cost of money and working capital is a threat to strategic planning among SMEs.

Table 28: (T3) Unstable Socio-economic Environment

<table>
<thead>
<tr>
<th>Frequency</th>
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<th>Cumulative Percent</th>
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<tr>
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<td>100.0</td>
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</tbody>
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One hundred percent (100%) of respondents also strongly agree that the unstable socio-economic environment is a major threat to strategic planning.
Factors affecting the embracing of strategic planning by SMEs

Table 29: (T4) Globalisation of Markets

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<td></td>
<td></td>
</tr>
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<td>33.3</td>
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<td>100.0</td>
<td>100.0</td>
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</table>

Fifty percent (50%) of the respondents think that the globalisation of markets is a threat to strategic planning.

Table 30: (T5) Taxation Policy

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
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<th>Cumulative Percent</th>
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<td>Total</td>
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</table>

A hundred percent (100%) concurs that the taxation policy is a threat to strategic planning.

Table 31: (T6) Cost of Operations, Office Space and Utilities

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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</thead>
<tbody>
<tr>
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</tr>
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<td>Total</td>
<td>6</td>
<td>100.0</td>
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</tr>
</tbody>
</table>

One hundred percent (100%) of the respondents agree that the cost of Operations, Office Space and Utilities are a threat to strategic planning in the SME sector.

Table 32: (T7) Competition

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
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<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<tr>
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<td>Total</td>
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<td></td>
</tr>
</tbody>
</table>

A majority (66.7%) of the respondents agree that competition is a threat to strategic planning.

4.5 Section C: Practice of Strategic Planning

This section is concerned about the practical strategic planning among the SME travel agents.

Table 33: (SP1) If Organisation has Strategic Plan

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
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<td>5</td>
<td>83.3</td>
<td>83.3</td>
<td>83.3</td>
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<tr>
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<td>16.7</td>
<td>16.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The majority (83%) of the SMEs have got a strategic plan while 16.7% do not have one.
Table 34: (SP2) How Often Organisation Conducts Planning

<table>
<thead>
<tr>
<th>Frequency</th>
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<tr>
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<td>System</td>
<td>1</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6</td>
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</tr>
</tbody>
</table>

The vast majority (80%) of the respondents indicated that they have strategic plans in their organisations while 20% do not.

Table 35: (SP3) If Company has Vision and Mission Statement

<table>
<thead>
<tr>
<th>Frequency</th>
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<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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</tr>
<tr>
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<td>No</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td>6</td>
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</tr>
</tbody>
</table>

Eighty-three point three percent (83.3%) of the SMEs have a Vision and Mission statement while only 16.7% do not have.

Table 36: (SP4) Who is Involved in the Planning Process?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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</tr>
<tr>
<td>Total</td>
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</tbody>
</table>

Forty percent (40%) of the businesses indicate that the Owner is involved in the planning process while 60% say that it is the management.

Table 37: (SP5) Organisation Embraces Strategic Planning

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<tr>
<td>Valid</td>
<td>Strongly Agree</td>
<td>4</td>
<td>66.7</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>1</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>1</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Most of the respondents (83.4%) indicate that they embrace strategic planning while 17.7% disagree.
Factors affecting the embracing of strategic planning by SMEs

<table>
<thead>
<tr>
<th>Table 38: (SP6) Linkages are Important in the Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Valid</td>
</tr>
<tr>
<td>Strongly Agree</td>
</tr>
<tr>
<td>Agree</td>
</tr>
<tr>
<td>Disagree</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Eighty-three point four percent (83.4%) indicate that linkages are important in business while 16.7% do not.

<table>
<thead>
<tr>
<th>Table 39: (SP7) Understanding Working Environment is Important in Our Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Valid</td>
</tr>
<tr>
<td>Strongly Agree</td>
</tr>
<tr>
<td>Disagree</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Eighty-three point three percent (83.3%) indicate that an understanding of the work environment is important for the planning while 16.7% do not.

<table>
<thead>
<tr>
<th>Table 40: (SP8) Having a Long-term View of the Business is Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Valid</td>
</tr>
<tr>
<td>Strongly Agree</td>
</tr>
<tr>
<td>Agree</td>
</tr>
<tr>
<td>Neutral</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The majority of the respondents (83.4%) agrees that having a long term view of the business is important for strategic planning while 16.7% do not.

<table>
<thead>
<tr>
<th>Table 41: (SP9) Having a Vision and Mission is Important for Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Valid</td>
</tr>
<tr>
<td>Strongly Agree</td>
</tr>
<tr>
<td>Agree</td>
</tr>
<tr>
<td>Neutral</td>
</tr>
<tr>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Sixty-six point seven percent (66.7%) of respondents indicate that having a mission and vision is important for business while 16.7% disagrees.
Sixty-six point seven percent (66.7%) agrees that skilled staff is key to the attainment of business goals while 33.3% are neutral.

One hundred percent (100%) of the respondents agrees that ICTs is key to the success of the business.

A hundred percent (100%) also agrees that government support and Pro SMEs policies are important for sustainable development.

5. SUMMARIES OF FINDINGS
The following summaries of findings shall distinguish between the more critical and the less critical factors within the entire SWOT matrix.

5.1 Critical factors responses ranged between 50-100% in terms of consensus
The following factors presented in this section were viewed as significant in embracing strategic planning — (S): Self managing, low cost, flexibility, and no bureaucracy (W): Lack of resources, low bankability; poor access to markets; centralized management; cannot afford skilled personnel; poor management structure; lack of access to technology; low skills base and lack of planning; (T) Increasing and changing cost of technology; cost of money and access to capital; unstable socio-economic environment; taxation, globalization of markets; cost of operations and competition: (O) Developments in ICT; Duty and excise relief.
Factors affecting the embracing of strategic planning by SMEs

Figure 3: Critical Strengths

Critical Strengths

- Self Managing: 83%
- Low Cost: 100%
- Flexibility: 83%
- No Bureaucracy: 50%

Figure 4: Critical Weaknesses

Critical Weaknesses (CW)

- Lack of Planning: 50%
- Lack of Access to Technology: 50%
- Cannot Attract/Afford Skilled Personnel: 50%
- Centralised Management Authority: 50%
- Poor Management Structure: 57%
- Poor Access to Markets: 57%
- Low Bankability: 57%
- Low skills Base: 80%

Figure 5: Critical Threats

Critical Threats (CT)

- Competition: 67%
- Cost of Operations: 100%
- Taxation policy: 100%
- Globalization of markets: 50%
- Socio-economic environment: 100%
- Cost of money/and Capital: 100%
- Cost of Technology: 67%
5.2 Less critical factors (responses ranged below 50%)
The factors listed below were viewed as less critical in embracing strategic planning — (S) flat management structure; (W) low/poor work culture; lack of long-term strategic focus; high turnover of key personnel; lack of professionalism; (O) pro SME policy and Government support.

Figure 6: Critical Opportunities

![Critical Opportunities (CO)](chart)

Figure 7: Less Critical Opportunities

![Less Critical Opportunities (LCO)](chart)

Figure 8: Less Critical Weaknesses

![Less Critical Weaknesses (LCW)](chart)
5.3 Strategic Planning as a best practice

All the respondents were agreeable that strategic planning was key to their business in that they all had strategic plans, at least planned once a year, had vision and mission statements, organization embraced strategic planning and management were involved in the planning process and to some extent, the owner.

On a scale ranging 50-100% respondents presented the following factors as key to strategic planning: linkages were important to the business, understanding working environment was important when planning, having a long term view to business, a vision and mission statement, skilled staff was key to the attainment of organizational goals, ICT key to business and overall government support and including pro SMEs policies for sustainable development of the sector and business.

Figure 9: Strategic Planning Best Practice

6. CONCLUSION

The current study makes important academic and practical contributions to the literature on SMEs strategic planning. The results suggest that SMEs (travel and tour operators) in the tourism and hospitality industry embrace strategic planning as key to their business success. Using SWOT analysis model factors such as; management flexibility, no bureaucracy, low costs structure, flat management structure and opportunities included government support, pro SMEs policies and ICT developments, were deemed as key aspects to consider during strategic planning. Weaknesses included factors such as; low bankability, poor access to markets, lack of long term focus, and lack of financial and non financial resources. Threats included increased and changing cost of technology, cost of money and access to working capital, unstable socio-economic environment, taxation and cost of utilities.

Vision and Mission statement and linkages with other stakeholders were deemed as key to running a successful business enterprise. The findings of this research have highlighted key challenges faced by SMEs in their day to day operations. Nevertheless, as alluded to in the literature, there is very little research on SMEs. Therefore, there is exigent need to undertake more studies given the significant contribution the sector is making on the global economy. The results of this research may be used to inform SMEs operators and policy makers in how to unlock the value from this buoyant sector.

7. RECOMMENDATIONS FOR THE SME TRAVEL AGENTS

7.1 Follow Research Trends

There is need for SMEs in the tourism sector to follow the various outcomes of the research currently taking place around the SME sector and incorporate it in their strategic planning frameworks. Taking part in the dialogue helps them understand where the policy is drifting towards.
7.2 Formalisation through Strategic Planning
The SMEs and the government should take advantage of the structured nature of strategic planning to increase the momentum of formalisation as the government seeks to eliminate the exclusion of the SMEs from the mainstream economy.

7.3 Private Public Partnerships
Government needs to work together with SMEs to facilitate the formation of Private Public Partnerships (PPPs) with SMEs so that they can get more practice in strategic planning and also merge perspectives and core competencies to facilitate synergies among all stakeholders.

7.4 Strategic Planning Conferences/Workshops
The SME sector and Ministry, among other stakeholders, should ensure that they facilitate a series of periodic and regular workshops or conferences in order to entrench the culture of strategic planning and other types of best practices in business.

8. REFERENCES
Gliem J. A. and Gliem R. R., Calculating, Interpreting, and Reporting Cronbach’s Alpha Reliability Coefficient for Likert-Type Scales, 2003 Midwest Research to Practice Conference in Adult, Continuing, and Community Education


