



UNIVERSITY OF ZIMBABWE

FACULTY OF COMMERCE

GRADUATE SCHOOL OF MANAGEMENT

STRATEGIC MANAGEMENT PRACTICES IN AGRO-PROCESSING SMEs: THE CASE OF
HARARE SMEs

BY

MASHANGANA WILLIAM (R9910041)

SUPERVISOR: DR. N. KASEKE

*A dissertation submitted to the University of Zimbabwe in partial fulfillment of the requirements of
the masters' degree in business administration (MBA) to the graduate school of management*

FEBRUARY 2015

DEDICATION

To my wife Alice, my sons Tafadzwa and Tadiwanashe and my daughters Fadzai and Nyaradzo- you have my unconditional love always

Table of contents

DEDICATION	i
ACKNOWLEDGEMENTS	vi
ABSTRACT	vii
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF APPENDICES	x
CHAPTER 1.....	1
INTRODUCTION	1
1.0 Introduction	1
1.1 Background of the study	2
1.2 Problem statement	4
1.3 Objectives of the study	4
1.3.1 Primary objective	4
1.3.2 Secondary objectives.....	5
1.4 Research questions	5
1.5 Research Proposition	5
1.6 Significance of the study	5
1.7 Delimitation of the study.....	7
1.8 Organisation of the study	7
1.9 Chapter summary.....	8
CHAPTER 2.....	9
LITERATURE REVIEW	9
2.0 Introduction	9
2.1 Historical development of strategy and strategic management	9
2.2 Strategy and strategic management.....	13
2.3Strategic management schools of thought.....	15
2.3.1 The design school.....	18
2.3.2 The planning school	18
2.3.3 The positioning school	18
2.3.4 The entrepreneurial school.....	19
2.3.5 The cognitive school.....	19
2.3.6 The learning school	19
2.3.7 The political school	20
2.3.8 The cultural school	20
2.3.9 The environmental school	21
2.3.10 The configuration school	21
2.4 What is a Small to Medium Enterprise?	22

2.5 Opportunities and challenges faced by SMEs.....	25
2.5.1 Opportunities.....	25
2.5.2 Challenges.....	25
2.5.2.1 Uncertainty.....	26
2.5.2.2 Globalization.....	26
2.5.2.3 Government Policy and Regulation.....	26
2.5.2.4 Technology.....	26
2.5.2.5 Supply chains.....	27
2.5.2.6 Strategic thinking and problem solving.....	27
2.5.2.7 Strategies to ensure viability and sustainability.....	27
2.5.2.8 Start-up strategies.....	28
2.5.2.9 Operational strategies.....	28
2.5.2.10 Marketing strategies.....	28
2.5.2.11 Staff retention.....	28
2.5.2.12 Future of the manufacturing industry in Zimbabwe.....	28
2.5.2.13 Increasing formal sector unemployment.....	29
2.5.2.14 High costs of funds.....	29
2.5.2.15 Problems in accessing raw materials and machinery.....	29
2.5.2.16 Uneven playing field for local businesses.....	30
2.5.2.17 De-industrialization of the economy.....	30
2.6 Strategic Management practices.....	30
2.6.1 Strategic competitive practices.....	30
2.6.2 Strategic corporate governance practices.....	31
2.6.3 Strategic planning practices.....	32
2.6.4 Strategic total quality management practices and CSR performance.....	33
2.7 Strategic management in SMEs.....	34
2.7.1 Extent of adoption of strategic management by SMEs.....	36
2.8 Effects of strategic management on SME performance.....	38
2.9 Factors which affect adoption of strategic management by SMEs.....	43
2.10 Conceptual Framework.....	45
2.11 Summary.....	47
CHAPTER 3.....	48
RESEARCH METHODOLOGY.....	48
3.0 Introduction.....	48
3.1 Research Design.....	48
3.2 Research philosophy.....	50
3.3 Research strategy.....	50
3.4 Population and sampling techniques.....	52

3.4.1 Population	52
3.4.2 Sampling.....	52
3.4.2.1 Sample size.....	52
3.4.2.2 Sampling procedure	53
3.5 Sources of data	54
3.5.1 Primary data.....	54
3.5.2 Secondary data	54
3.6 Data collection procedure.....	54
3.7 Data analysis	55
3.8 Research limitations.....	55
3.9 Research ethics and data credibility	56
3.9.1 Permission.....	56
3.9.2 Informed Consent	56
3.10 Chapter Summary	56
CHAPTER 4.....	57
DATA ANALYSIS AND PRESENTATION	57
4.0 Introduction	57
4.1 Response rate	57
4.2 Analysis of Personal information	57
4.3 Extent of strategic management adoption by agro-processing SMEs	59
4.4 How well the SMEs can take advantage of resources over competitors.....	61
4.5 Factors that disadvantage the firm compared to competitors.....	61
4.6 Effect of the absence of resources	62
4.7 Strength of different threats to the business	63
4.8 Economic threats	64
4.9 Threats of competition and substitute products	65
4.10 How ready is your business to take advantage of the following opportunities in the market?	66
4.11 Readiness of SMEs to exploit opportunities.....	67
4.12 Readiness for changes in tastes and preferences.....	68
4.13 Factors affecting adoption of strategic management by SMEs in the agro-processing sector .	69
4.14 Factors impeding adoption of strategic management by SMEs	69
4.15 What agro-processing SMEs require to effectively adopt strategic management practices.....	72
4.16 Concentration in agro-processing sector.....	72
4.17 Requirements by SMEs to effectively implement strategic management	73
4.18 Chapter Summary	75
CHAPTER 5.....	76
SUMMARY CONCLUSION AND RECOMMENDATIONS	76

5.0 Introduction	76
5.1 Summary of key findings.....	76
5.2 Conclusion.....	77
5.3 Recommendations	78
5.4 Further study.....	79
REFERENCES.....	80
appendix 1: questionnaire	83

ACKNOWLEDGEMENTS

I would like to thank my supervisor, Dr Kaseke in assisting me throughout. My special gratitude also goes to a friend Kapesa, for helping in the layout and structure of the project, as well as editing of this dissertation. I thank my family too especially my wife Alice for being supportive and patient. Lastly, I thank God for making this project a success. Thank you Lord.

ABSTRACT

The study sought to explore the level of adoption of strategic management by SMEs in the agro-processing sector as well as to establish the factors which motivate or impede the adoption of strategic management practices by the same organisations in order to find out what were the requirements to ensure these businesses take advantage of strategic management. The study was motivated by the importance of the SMEs sector to world economies and to Zimbabwe specifically given the level of deindustrialisation as well as the high formal unemployment rates. The findings of the study are useful to a number of organisation including entrepreneurs in SMEs as well as the Ministry of SMEs. Literature reviewed showed that SMEs contribute more than 80% of most economies in terms of employment and GDP, a factor which makes SMEs very critical for any economy especially Zimbabwe which is a developing nation. In order to carry out the study a qualitative descriptive study was conducted from a total of 280 SMEs registered with the SMEAZ classified as agro-processing a total 70 were targeted from which 140 respondents were targeted. The response rate achieved was 57% since a total of 80 out of the targeted 140 respondents were reached successfully and responded validly. The major findings were that 64% of respondents indicated that they do not have formal long term plans and strategies in place. In addition majority of the respondents indicated that they were not taking advantage of physical, financial and human resources better than their competitors as sign motivated by the absence of strategies and plans like financial strategies and competitive strategies. However, these respondents indicated that they faced huge threats from potential and current competition and new products these all supported the view that the SMEs were not making use of strategic management to deal with any potential threats beforehand. The SMEs indicated a number of challenges which affected their adoption of strategic management and some of the factors include the lack of knowledge of strategic management as well as the lack of technology and financial resources required to pursue their desired strategies. However, it is recorded on literature that implementation of strategies was a major challenge with over 80% of strategies failing to be implemented. Finally the study found that SMEs required government support as one of the key factors for them to implement and pursue any strategies with some respondents indicating that they advocate for reduction in the taxation and licensing requirements which are very costly to their businesses. The study finally recommends for the increase in training of SME management on business management skills especially strategic management so that practitioners are aware of the requirements and contributions it can make to business success.

LIST OF TABLES

Table 2.1: Summary of evolution of strategy and strategic management	12
Table 2.2: SMEs classification in Zimbabwe	23
Table 2.3: SMEs classification in the European Union.....	24
Table 4.1: Questionnaire response rate.....	57
Table 4.2: Personal information	58
Table 4.3: How business take advantage of different factors in comparison to competitors...60	
Table 4.4: How different factors affect the firm in relation to competitors.....	62
Table 4.5: Strength of threats to the agro-processing SMEs.....	64
Table 4.6: Readiness of SMEs to capitalise on opportunities.....	67
Table 4.7: Factors affecting adoption of strategic management by SMEs	69
Table 4.8: Concentration in agro-processing sector.....	73
Table 4.9: Requirements by SMEs to effectively adopt strategic management	73

LIST OF FIGURES

Figure 4.1: Advantage of various factors	61
Figure 4.2: Effect of absence of resources	63
Figure 4.3: Economic threats	65
Figure 4.4: Threats of competitors and substitute products	66
Figure 4.5: Readiness of SMEs to exploit opportunities.....	67
Figure 4.6: Readiness for changes in customer tastes and preferences	68
Figure 4.7: Factors impeding adoption of strategic management by SMEs.....	72
Figure 4.8: SMEs requirements by effective adoption of strategic management	74

LIST OF APPENDICES

Appendix 1	Questionnaire.....	83
Appendix 2	Academic research letter	85

CHAPTER 1

INTRODUCTION

1.0 Introduction

In Zimbabwe about 80% of all economic activities are handled by Small and Medium sized Enterprises (SMEs) whilst the remaining 20% is handled by the bigger enterprises (SEDCO Report, 2010). Worldwide, SMEs have been viewed by policymakers as the way forward in terms of escalating sustainable economic development (Naude, 1998). SMEs were found to be crucial for the growth and improvement of the South African economy by Butcher (1999), and are also correlated to economic empowerment, employment creation, and the empowerment of the underprivileged communities (Daves, 2001). Therefore, SMEs have a compelling claim to importance, and strategies have been crafted worldwide with the intent to develop and incorporate this very important economic sector into the conventional economic activities (Luiz, 2002). However, it has not been seen how the employment of strategic management could result in improved success of these entities and therefore, that is the focus of this current study. This is based upon the fact that up to 75 per cent of new businesses in Zimbabwe eventually fail (Chichoni, 2011) given the fact that it remains difficult to assess the true environment in which SMEs may fail due to the absence of accurate data pertaining to failure of SMEs. It has been argued that one of the key explanations for such a high transience rate is the lack of managerial skills of the entrepreneur's and innovation, which eventually impairs the new business. It is the researcher's view that strategic management practices could be the missing link between the level of importance and the high failure rate. This chapter therefore, introduces the study and puts the study into perspective as it pertains to strategic management in SMEs in the agro-processing sector, which is a very important sector of the Zimbabwean economy. The study started by giving a background of the study, giving a statement of the problem, giving a list of the objectives and research questions, highlighting the significance of the study together with the scope of the study before finally giving a highlight of the chapters making up the entire dissertation and what they contain.

1.1 Background of the study

Zimbabwe's economy is agro-based and it has great potential for economic expansion, since it is endowed with many natural resources and a salubrious climate, but has made little success in as far as the transformation of its agricultural and mineral wealth into processed commodities for the local, regional and even international markets (Mhazo, Mvumi, Nazare and Nyakudya, 2012). The Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim-Asset) 2013-2018, the national economic blue print, in its foreword by the President of the Government of Zimbabwe (GoZ) R.G. Mugabe calls for the pursuit of a new trajectory of accelerated economic growth and wealth creation supported primarily by indigenization, empowerment and employment creation which should be largely propelled by the thoughtful exploitation of the country's abundant human and natural resources (ZIMASSET, 2013). To achieve this there is need for the Zimbabwean economy to be industrialised and productive, which has been identified as one of the strategic bottlenecks. Various strategies and action plans have been developed to steer the country's economy towards sustainable economic development and increased competitiveness but with little success, in terms of implementation (David, 2013).

It is recognized globally that economic development depends heavily on the small and medium sized enterprises (SMEs) and Zimbabwe is no exception to this. SMEs are the most important source of new jobs and they play a critical role in income generation as well as the industrialisation processes (David, 2013). However, most small businesses fail within their early stages of operation mainly due to under-capitalization and/or lack of proper management and business skills, which is the key role for strategic management (Mboko and Hunter-Smith, 2009). Strategic management has been cited as one of the effective management tools in strengthening organisational performance through effective decision making and systematic strategy formulation and implementation.

The role of SMEs in economic development is very critical and it was with perspective that the study investigated the extent to which strategic is being used and practiced by Zimbabwean SMEs, particularly in the face of the current economic down turn, and as a result determine factors associated with the adoption of a strategic management framework as proposed by several renowned authorities in literature.

The history of SMEs in agro-processing in Zimbabwe is not very long as it was a product of the indigenisation of the local economy which started after independence and particularly in the 1990's. "Prior to Zimbabwe's independence in 1980, the processing of agricultural products was a preserve of the large scale multinational companies and the mid-1990s saw the fast expansion of both formal and informal small and medium scale manufacturers of agro-based products; a trend that was accredited to the Economic Structural Adjustment Programme (ESAP) which had been implemented by the government. This was characterised by an impressive swell in small and medium scale agro-processing enterprises and as a result a wider variety of processed food and non-food products became available on the market", (Mhazo, Mvumi, Nazare and Nyakudya, 2012). Yet according to Bittar and Nyonje (2014) agriculture associated manufacturing businesses are the main profession of rural people in numerous parts of the world and at the worldwide stage agro-processing industries have realized remarkable expansion in terms of size and intricacy. This however, appears to be contrary to what is obtaining in Zimbabwe where almost every business desires to be based in urban areas.

In Zimbabwe, the significance of the agro-based industry is underpinned by the reality that roughly 80 percent of the populace who are rural based derives income from agriculture and its association with other sectors such as agro-based manufacturing (Mhazo, Mvumi, Nazare and Nyakudya, 2012). Therefore, the agro-processing trade maintains the processing of uncomplicated agricultural commodities while also converting well complicated industrial inputs that are frequently the product of extensive investments in modern technology and innovation. Business in this sector needs an extensive diversity of equipment which range from easy home tools to the advanced industrial machinery. Such intricacy makes it critical for agro-processors to utilize various types of manufacturing utensils in their businesses and the availability and accessibility of these agro-manufacturing equipment permits new agro-processing businesses to be set up and existing ones to be enlarged (Bittar and Nyonje, 2014).

The expansion of agro-processing sub-industry is therefore dependent on, amongst other factors, the accessibility to appropriate manufacturing equipment (Bittar and Nyonje, 2014). As a result agro-processing SMEs have not been able to develop in rural areas where the majority of the raw materials are easily accessible at much lower prices. In the rural areas and smaller towns there have been challenges of lack of demand caused by the low disposable incomes available in the rural areas because of very high unemployment rates which are

characteristic of the Zimbabwean economy in general (Mboko and Hunter-Smith, 2009). The majority of these SMEs are as a result, based in towns and Harare being the capital hosts the majority of these organisations because of their proximity to wider liquid markets which cannot be found in rural Zimbabwe (Mboko and Hunter-Smith, 2009). This study being done in Harare would be representative of the significant agro-processing SMEs in other areas including the smaller towns and rural areas. The researcher asserts that SMEs in Harare are the most likely to be formally registered operating as registered companies a scenario not likely in rural areas. Therefore, this study would be easy as dealing with registered or

1.2 Problem statement

Strategic management is widely practiced by firms in both profit oriented organizations as well as not for profit organisations in Zimbabwe, however; its adoption by SMEs particularly during periods of economic hardships is not known at all especially in Zimbabwe's agro-processing entities (Mboko and Hunter-Smith, 2009). This is despite the significance of the agricultural commodities sector and the downstream industries as well as to the common people of Zimbabwe after the fast track land reform of the early 2000s. Mboko and Hunter-Smith (2009) also affirm that evidence of strategic management in Zimbabwean SMEs is still flimsy and anonymous because there appears to be a deficiency of documented proof of its practice. This study is therefore undertaken to fill this knowledge gap, as it is imperative to learn how strategic management is being used or may be used by Zimbabwean SMEs as a tool of enhancing performance and economic growth. SMEs in the agro processing industries have been chosen as the case because of their significant role as value addition agents to the output produced by the masses of Zimbabwean farmers and hence their importance to the achievement of national objectives of economic growth and development.

1.3 Objectives of the study

In carrying out this research, two sets of objectives were pursued; primary and secondary objectives.

1.3.1 Primary objective

The study sought to explore the level of adoption of strategic management by SMEs in the agro-processing sector as well as to establish the factors which motivate or impede the adoption of strategic management practices

1.3.2 Secondary objectives

- To explore the extent to which strategic management is adopted by agro-processing SMEs, in line with the strategic management framework that suits the Zimbabwean environment;
- To identify key factors which have affected the adoption of strategic management by SMEs in the agro-processing sector;
- To establish what agro-processing SMEs require to effectively adopt strategic management practices.

1.4 Research questions

- What is the extent of adoption of strategic management practices by SMEs in the agro-processing sector?
- What are the contributing and impeding factors in the SMEs to the successful adoption of strategic management practices?
- What are the requirements by agro-processing SMEs in Zimbabwe in order for them to effectively adopt strategic management practices?

1.5 Research Proposition

Saunders et al (2009) defines a hypothesis as a verifiable suggestion stating that there is an important divergence or association between two or more variables. The research questions abovementioned were used to create a research hypothesis which guided this study. The hypothesis developed in this study was that: there are significant levels of adoption of strategic management practices by agro-processing SMEs in Zimbabwe.

1.6 Significance of the study

This study is important to a number of stakeholders, who include the central government specifically the Ministry of SMEs, as well as the Ministry of Economic development; other SMEs are also going to benefit from the findings of this study. Furthermore, scholars and academics are going to benefit from the study's findings, since findings of the research added to the knowledge and understanding of the subject of strategic management and its

application in SMEs. This study is important in the following manner:

It may lead to the identification and application of the concepts and framework of strategic management which takes into account the size, nature of work and operating environment of the agro-processing SMEs. This benefited academics and other scholars who in the future wish to test and/or validate the findings obtained by this study using a different geographic setting or even a different methodology. This is meant to add to the depth of the knowledge and concepts of strategic management peculiar to the Zimbabwean environment and any other similar business operating environments.

Support, augment and validate the theories and models of strategic management in other SMEs in other sectors than the agro processing sector. This is not the only study carried out so far pertaining to the adoption and application of strategic management practices by SMEs in other sectors and in other parts of the world. This study is an addition to the vast researches done so far and as such this study contextualises the theories and models in the Zimbabwean setting in line with the importance of this sector given the fact that big companies have divested from Zimbabwe and thus leaving the playing field to Zimbabweans majority of whom do operate their businesses as SMEs.

Generate awareness among entrepreneurs of SMEs on the importance of having functional strategic management framework as a vehicle to enhance organisational effectiveness. Majority of the business operators are not aware of the significance of having a strategic management framework in place and the potential benefits of having such. This study sought to empower the entrepreneurs with pertinent facts and information on the benefits of their organisations applying strategic management practices in their organisations.

Provide valuable knowledge of the factors that have an impact as well as contribute to the successful adoption of strategic management in SMEs. These factors are required by a number of potential business people in the same sector or any other SME regardless of the sector in which they wish to operate their businesses from. Zimbabwe has a lot of potential in terms of business establishment and the effective management of such and since Zimbabwe is a highly literate nation there is need for having a lot of literature available which then enhanced the business management skills using empirical evidence obtained from a number of entities which may comprise the successful and the struggling. Therefore, this study's findings are very valuable for upcoming businesses.

For the government the study provided information relevant to the establishment and direction of government policies. For example the Ministry of SMEs may require developing strategic sectors of the economy and such development can only be the outcome of informed

decisions being made about the key requirements of the sector. As such this study to inform government policies on the importance of strategic management and the key factors that support the adoption of strategic management practices. Also given the importance of the agricultural sector to Zimbabwe's economy this study is very important as it may provide general statistics on the number of SMEs in this sector and hence provide guidance to the decision makers like the Ministry of Economic Development which may be useful for the development of this economic sector.

1.7 Delimitation of the study

This study was carried out in some restrictions in terms of the context, geography and time. Firstly, the study focused on the application of strategic management by SMEs which process agricultural commodities into semi- finished or processed products which are ready for marketing. The study evaluated the contribution to the GDP growth realised by the Zimbabwean economy since 2009 when the economy adopted multiple currencies as legal tender as well as the growth in the number of SMEs in this sector as they relate to or support the historic land reform programme which was done in Zimbabwe since the early 2000s. The study focused on formally registered and operating SMEs which are registered in terms of the Companies Act (Cap 24:03) as well as the Private Business Corporations Act. The period under study was between 2010 and 2014, which is a five year period, and this period has been chosen because of its similarity in terms of the unit of measure of performance of the companies, in terms of the reporting and functional currency. Therefore data was gathered from management and employees of these companies for all of the years within time scope of the study, for the comparative purposes secondary data from financials was collected from other SMEs or companies outside of this scope in terms of geography.

1.8 Organisation of the study

The study is organised in chapters as follows:

Chapter 1: Introduction; this chapter introduced the study and put the subject under study into the perspective in which it was studied.

Chapter 2: Literature Review, which reviewed both theoretical and empirical literature and clearly outlines the research gap which has not been adequately addressed by all prior studies.

Chapter 3: Research Methodology, gave the methods used in the study in order to ensure the research objectives and questions were adequately addressed.

Chapter 4: Results, Discussion and Interpretation of Findings, presenting the results and findings of the study and went ahead and discussed these results in relation to the findings obtained by other studies which were reviewed in chapter 2 as well as in relation to established theories in the field of study.

Chapter 5: Conclusions and Recommendations, rounds off the study by giving the conclusions of the study as revealed by the results/findings obtained and finally recommendations are given for the companies under study or any other firms which fall in the category of SMEs.

1.9 Chapter summary

This chapter has introduced the subject under study which attempts to evaluate the application of strategic management practices by agro-processing SMEs in their operations since 2010 to 2014 in a view to establish the value that strategic management has contributed to the phenomenal growth that SMEs have been enjoying. The number of business opportunities in the agricultural based industries have increased significantly as the number of participants in the sector also grew during the period under study as motivated by the stability which was realised in the economy during the period under study. This chapter went on to give the objectives of the study; the research questions and the justification of the study as well as the delimitation of the study are also given in this chapter. The next chapter provides the literature review with focus being on the theoretical literature as well as other empirical studies done globally and locally.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature related to strategy and strategic management in general and then focuses on strategic management in SMEs before looking at the schools of thought on strategic management. It is also relevant to define what makes an entity to be classified as an SME, considering the Zimbabwean perspectives and compare it with the classification criteria from other countries.

2.1 Historical development of strategy and strategic management

Strategies have been in use in military warfare for many years, for example Sun Tzu's Art of War was reportedly written over 2400 years ago. However, the use of strategies in business was a recent development and came to be as result of businesses' reactions to problems caused by the changing business environment. The word strategy originally came from the Greek word '*strategos*' which meant the 'art of the army general' (Mintzberg et al., 2003). Strategic management as a field of study has developed within the last three to four decades into a discipline which it is now known to be. It borrowed widely from other disciplines such as economics and social sciences; it is however still disjointed as evidenced by the existence of many different schools of thought, the assortment in the fundamental theoretical proportions as well as the lack of well-organized methodology in its practice and implementation.

Such disintegration is owed to the level of task ambiguity and the absence of dexterity in research which is the result of lack of consistency and focus amongst the strategy field, its base disciplines and practitioners (Elfring and Voelberda, 2001). Strategy as a field of study emerged out a realistic need to recognize explanations for triumph and collapse in different organizations. This therefore, led to a focus on by and large performance and on the apex of the management of organisations. The works of Chandler (1962) and Andrews (1971)

produced a view that strategy is a product of the top management whilst execution is at the bottom, thus, further reinforcing the field's focus on the top management whilst implementation was seen as less important (Floyd and Woolridge, 1996).

The coming up of corporate planning in the 1970s further heightened the division between strategy formulation and implementation, since operational decisions were made as if plans did not exist. Critical insight was that plans were futile and line managers should be involved in the practice (Floyd and Woolridge 2000). The development of systematic tools like BCG, PIMS further cemented the impression that strategy was an exclusively top management role. Therefore, development of the strategic management concept demarcated between the formulation and implementation components of strategy, recognized roles for all managers excluding the lowest operating level in the formulation process. Thus, Implementation was the design of standards, measures, incentives, rewards, penalties, and controls (Floyd and Woolridge 1996), whilst managers were regarded to be more as hindrances.

It was Mintzberg and Waters' (1985) view that strategy is a mould in a flow of decisions, that extended the role of others than the top management in strategy making since strategies could be emergent. Burgelman (1983) integrated both the top down and bottom up view of strategy by introduction of the notion of independent development of strategy in addition to the normal intended strategy, reinforcing the remarks of Bower(1970) who stated that the top management had little control on what projects get pushed for approval. Regardless of these studies; until the 1990's strategy formulation and implementation were regarded as being separate functions, with a separate focus on strategizing, that is, achievement of the fit between the external environment and the organisation's own intentions, whilst successful execution of the strategy was taken as granted.

The works of Mintzberg (1978) Miller and Frieson (1980), and Pettigrew (1985) brought into focus the fissures existing between the strategy formulation and implementation functions. This resulted in eminence of the research focussed on the study of change. This also challenged the theory of precise formulation and implementation, as strategies could now just be surfacing without being realized. It also strengthened the small but emergent group of practice researchers who were looking at the function of power and organisational culture as influencers of strategy and/or strategic results.

Research on strategy implementation, despite the fact that it was highly neglected, was considered by quite a few scholars in the form of creation of frameworks (Bourgeois and Brodwin, 1984; Skivington and Daft, 1991; Miller, 1997; Okumus, 2001; Joyce and Hrebiniak 2005) and in the form of appraisal of separately factors affecting the execution process such as the interests of middle managers (Guth and Macmillan, 1986) or the usage of implementation procedures (Nutt, 1987). The current environment for strategic management is considered to be hypercompetitive (D'aveni, 1994) which as a result guarantees that continual benefit is short-lived. Under such conditions, strategy and the form of organization must be assessed continuously for suitability. Thus rapid paced change makes strategy vibrant in character.

Learning has become a vital quality alongside with the organisation of knowledge resources. Under such a state of affairs, strategy formulation and implementation are seen as entwined sub-processes in the strategic management process. Research on strategy has undergone transformations similar to the changes in the strategy formulation and implementation, starting with longitudinal process oriented studies by March and Simon (1958), Chandler (1962), Bower (1970), and Mintzberg (1978). It then changed to the use of quantitative methods which were cross-sectional in character, and as legitimacy of the field grew, and research methods advanced together with moderate interpolations from social sciences, the re-emphasis of process studies has emerged (Pettigrew et al, 2002). The evolution can be summarized as given below in Table 2.1 below:

Table 2.1: Summary of evolution of strategy and strategic management

Description of factor	1950's and 1960's	1970's	1980's	1990's	21st century
Environment	Stable	Dynamic , complex	Dynamic complex	Highly dynamic	Hyper competitive
Dominant paradigm of strategy content	Growth, large corporations , control and coordination , production	Strategy as direction of company, production orientation	Core businesses, competitive advantage, production orientation	Core competencies, production, services orientation	Services orientation, learning,
Key to implementation	Fit structure with strategy and context	Resource allocation	Factors along with structure leading to efficiency	How structures are created, adjusted and made to work?	How structures are created, adjusted and made to work?
Research	Processual, longitudinal case studies	Cross sectional, quantitative	Cross sectional, quantitative	Processual Longitudinal	Processual Longitudinal
Basis of corporate value added	Skills of general manager	Portfolio planning	Vale based planning	Development capabilities, learning,	Learning and knowledge creation
Strategy logic	What business to be in	Portfolio management	Economies of scale and efficiency	Competition strengths, synergy	Economies of scope

Adopted from Pettigrew et al (2002), Whittington (2002), Gould and Campbell (1993)

With this long historical perspective to the development of strategy and strategic management, this study seeks to evaluate how prevalent is the practice in SMEs in Zimbabwe. The study also seeks to establish the historical development of strategic management in Zimbabwe's corporate history and specifically its adoption by SMEs and the

results of its implementation by some young SMEs as well as some long established SMEs in the agro-processing sector.

2.2 Strategy and strategic management

Today there are several definitions of the word that shed light to this intricate field of study, given the varied and developing nature of strategy, it is not easy to come up with one definition as doing so risks leaving out vital views about strategy essential for understanding what really strategy is. Chandler (1962) referred to strategy as the long-term goals of an enterprise and the plan of action to apportion the required resources for carrying out these goals. Others however, are of the view that strategy and goals are different concepts, and strategy refers to the means of attaining the set goals.

Mintzberg et al. (2003) rather define strategy as a process which is fivefold as they perceive strategy to be a plan, a ploy, a pattern, a position and a perspective. This view to the definition of strategy is expounded below part by part as defined by Mintzberg et al. (2003).

Strategy as position: Strategy is a *position* when it intends to establish the organization in its external setting/environment. This view of strategy considers externalities of the business, and it can be associated with Porter's definition which equates strategy with the creation of a distinctive and priceless position by choosing to do activities in a different way than competitors do.

Strategy as plan: According to this view, strategy is a process beginning with the long-term goal setting phase, followed by formulation and implementation of the set *plans*. Therefore, these plans act as guiding principles on how the firm should deal with various circumstances.

Strategy as pattern: A strategy can also be viewed as a *pattern* of a flow of actions, patterns that come out without preconception or purposeful planning, but shows consistency in the approaches taken to deal with situations.

Strategy as a ploy: A strategy can be a *ploy*, when its purpose is not about growth but more predominantly a threat or scheme to overcome a competitor. This view's focal point is on the competitive facets of strategic management.

Strategy as perspective: Strategy as a *perspective* considers the internal aspects of the business, and according to Mintzberg et al. (2003), this view of strategy matches the traits of an individual, or as a combined mentality in the business, where persons in the organization share a universal way of thinking or conduct.

Hammonds (2001) also defines strategy as a purposeful option to be diverse and claims that this is only possible by making choices, trade-offs, and leading with direction and stability, a company can become inimitable and craft a sustainable competitive advantage. However, strategy is an intricate word to assign a single definition. Mintzberg (2003) talks about the five Ps when defining strategy, thus strategy as a plan, ploy, pattern, position and perspective; and propounds that each definition competes or rather complement each other adding important elements to the perspectives of the field.

Another author Nickolls (2011), says strategy is a word with numerous meanings which have continually evolved with the passage of time and one classic definitions of strategy was given by Robert Anthony in 1965, who used an unpublished definition from Kenneth Andrews is, “the pattern of objectives, purposes or goals and major policies and plans for achieving these goals stated in such a way as to define what business the company is or is to be in and the kind of company it is or is to be.” Bryson (1996) also defined strategy as “a pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organization is, what it does, and why it does it.” Strategy was also later defined by Arthur, et al (2006) as the set of guiding philosophy which define how an organisation will meet its strategic goals and objectives as well as achieving its mission. In the military, the strategy for a battle refers to a general plan of attack or defence, this involves arrangements made prior to the actual engagement of the enemy and intended to disadvantage that enemy.

Strategic management on the other hand according to Thompson and Strickland (2003), refers to the process by which managers establish an organization’s long-term direction, sets specific performance objectives, and develop strategies to achieve these objectives in the light of all relevant internal and external circumstances, and undertake to execute the chosen action plans. Strategic management is probably the most basic and imperative aspect of management and managing.

The Components of Strategic Management as given by Thompson and Strickland (2003) are: Defining an organization’s business and developing a strategic mission as a basis for establishing what the organization does and where it is headed; establishing strategic objectives and performance targets; formulating a strategy to achieve the strategic objectives and targeted results; implementing and executing the chosen strategic plan and Implementing strategic performance and making corrective adjustments in strategy and/or how it is being

implemented in view of actual experience, changing conditions, and new ideas and opportunities.

A contextual definition was established of how strategic management is viewed by managers of the various SMEs which were under study and a comparison was made with what a number of authors have established pertaining to what strategic management is and what it involves as well as whose responsibility it is. A comparison was made between the individual organisations of what they call strategy and strategic management. The various definitions by authors were the yardstick for the establishment of whether or not management from the various SMEs are aware of the subject under study.

2.3 Strategic management schools of thought

Strategic management as a field of study has emanated from contributions by scholars from other fields which include economics; organisational behaviour; sociology; psychology; and public administration amongst many others. Researchers from each field addressed strategic management from a viewpoint dominated by that field for example; researchers from the economics field used the rational view whilst researchers from organisational behaviour used the humanistic perspective or school of thought. Therefore, research on strategy execution has been reliant on the principal approach (perspective) guiding the researcher.

It must be noted that around the mid-1960s, Andrews (1965) and Ansoff (1965) were the some of the pioneer authors to give the discipline of strategic management a standalone field of study, though they now can hardly be regarded as the founders of strategic management as a field of study. There are now many recent lines of reasoning or schools of thought within strategic management which have not been built upon their range of ideas, some of which are actually inconsistent with the ‘design’ and ‘planning’ schools of thought associated with Andrews and Ansoff, respectively.

Approaches to strategy have of late been classified differently by various authors. The well-known classifications being the following: Chafee’s (1985) linear, adaptive and interpretive schools of thought, Mintzberg et al (1998) ten schools of thought, Faulkner and Campbell’s (2002) – rational, logical incremental, evolutionary and cultural schools of thought, Fajourn (2000) - mechanistic and organic schools of thought and Hutzschenreuter and Kleindienst

(2006)—rational- mechanistic, cognitive, upper echelon, middle management, organic and micro perspectives.

Each of these authors' view was discussed briefly before getting into detail about the schools of thought. Firstly, Chafee (1985) made his categorization based on the core focus of which each sort is built upon. The linear model focuses on planning and emphasises that systematic, chronological, and directed action shows a rational decision making process; stable environment and a more basic view of strategy which is a major role for the top management. Time is assumed to be inactive. The adaptive model's focuses on the incessant appraisal of the environment and later organisational adjustment. The environment is more dynamic; prominence is on means and goals are more imprecise and the role of the other levels of management is considered to be more important. The interpretive model looks at an organisation as a set of social contracts and strategy is an organisation-wide action driven by mutual values and beliefs.

Faulkner and Campbell's (2002) taxonomy and Hutzschenreuter and Kleindienst (2006) are basically a condensed modification of Mintzberg's classification. However, Fajourn (2000) takes a more abstract view of the strategy development and classifies the approaches into two based upon how time is treated; how the flow of events is considered and ultimately the quality of constructs and models. The mechanistic view considers time to be discrete; whilst the flow of events are linear, sequential, directional and static and the constructs and models are well developed, differentiated and emphasis is more on construct than on the relationships among the constructs.

The organic view treats time as constant and uninterrupted with the flow of events seen as non-linear, interactional and dynamic and emphasis is on the relationships between constructs which are integrative in nature. It can be seen that the key parameters on which the approaches differ is the type of strategic decision process, the locus of decision making and analysis and the view to strategic change. Fajourn's (2000) categorization permits all the approaches to be clearly put into either of the classes, with one class (mechanistic) being prescriptive and with concentration being upon the role of top manager as the strategist and hence the locus of analysis is an individual, the locus of analysis can be an individual or a group but restricted to top management and views strategic change as episodic.

Consequently, strategy is more a static, episodic activity and as a result is not considered to be a process but rather as an event. It also distinctly separates strategy formulation from its implementation. The other category (organic) focuses on the more comprehensive role for other levels of management, viewing involvement as necessary for the proper managing of environmental vitality; treats strategy as a process. Therefore, the locus of decision making can vary from an individual to a group; locus of analysis is a group and change is seen more as incremental, Fajourn (2000).

The implications for the strategic decision making process according to Fajourn (2000) now is dependent on the requirement of environmental scanning mechanisms and the organisational integrative mechanisms such as meetings, committees, task forces, feedback mechanisms amongst others which are put in place in line with the perceived environmental dynamism. The type of decision making process is not as significant as much as the patterns and utilization of environmental scanning and organisational integrative mechanisms. Equifinality is feasible based on a variety of permutations of involvement ranging from simply information provision to consultation to active discussion to ultimately a stake in decision making and the management of environmental dynamism, Fajourn (2000).

Presently, there are huge numbers of contradictory views on the concrete number of the schools of thought in strategic management, Mintzberg and Waters (1988) came up with almost ten schools and Mintzberg's classification is the most famous; it is based on what strategy is envisaged to be for example in the design school strategy is seen as a notion while in the entrepreneurial school it is seen more as an idea. They can be grouped together into three broad classes.

The first three schools are prescriptive in nature, which are concerned mainly about how strategies should be formulated. Thus they tell about ideal strategic behaviour and concentrate on the behaviour of the strategist as an individual. The following six schools of thought consider specific aspects of the strategy formation process, thus they explain how strategies get to be made. They concentrate on the function of factors away from the individual. The last school is a combination of all the above schools, it seeks to be integrative. It tries to cluster the strategy making process, the content, organisational structures and their contexts into distinct stages.

Therefore, the classification of schools of thought according to Mintzberg and Waters (1988) was discussed here as they tend to incorporate the other schools of thought inclusive of the classical schools as enunciated by Andrews and Ansoff; discussion of which follows.

2.3.1 The design school

According to Mintzberg and Waters (1988), this school of thought is responsible for the development of an organisation's Strengths, Weaknesses, Opportunities, and Threats (SWOT), analysis model. Using this model a company's internal strengths and weaknesses are mapped, together with the opportunities and threats in the external environment. Accordingly, ensuring a good fit between the internal opportunities (strengths and weaknesses) and the external circumstances (opportunities and threats) is considered to be the ultimate of strategic management in terms of this school of thought, (Purcell 2001).

2.3.2 The planning school

Strategy formation is developed not so much by the chair of the board but rather by the planners in a division or department of the company. This approach is rather a very systematic approach, in terms of which, strategy formation and strategic management consists of developing, formalizing and implementing an explicit plan. The planning school assumes that a correct strategy can only come about as result of regular and efficient forecasting, planning and control. However, empirical studies done by Fredrickson (1983), Fredrickson and Mitchell (1984) and Mintzberg (1973) showed that in turbulent environments planning is usually insufficient and may lead to rigidity in the organisation and hence a possible recipe for disaster. Therefore annualised planning rituals restricts an organisation's innovative potential, options are fixed and new options are not noticed in good time.

2.3.3 The positioning school

This school focuses on strategic management from the industrial-economic perspective, with the researches by Porter (2005) being critical in the development of this strategic management school of thought. Competition and the competitive position of a company are analysed predominantly on the basis of economic concepts, and in accordance with this approach companies in an industry or sector ought to choose one out of three generic strategies: cost-leadership, differentiation or focus, and pursue it.

2.3.4 The entrepreneurial school

Recognition is made that the environment is not a stable factor; it can be influenced and manipulated. Therefore, entrepreneurs are capable of bringing new innovative products and services to the market, developed on the basis of unconventional dynamics, quite divorced from the existing 'laws' of the current market. Baden-Fuller and Stopford (1994) showed that the choice of the branch of industry only determines the profit expectations for a very small part, and that the 'firm' and not the branch of industry is a decisive measure of success. It is the entrepreneurs with a vision of the future who determine the environment and not the other way round. Strategic management if viewed from this perspective cannot be traced back directly to a specific discipline, although the economist Schumpeter (1934) can be seen as its scholarly progenitor.

2.3.5 The cognitive school

Under this school of thought the individual is the unit of analysis and strategy formation is based on 'mental maps.' This school of thought considers the environment to be very challenging and/or complex to understand. March and Simon (1958) and Simon (1976) have made an important contribution to the cognitive school. In particular, the concept of 'bounded rationality' has been vital. Johnson (1988) and others propose, on the grounds of a longitudinal case study, that incrementalism is not logical but a result of cognitive schemes (Weick, 1979).

2.3.6 The learning school

This view to strategic management has psychology as its root discipline, and according to followers of the 'learning' school, amongst whose pioneers included Lindblom, Quinn and Weick, a strategy unfolds. Lindblom (1959) concluded that strategic management was not a linear process, but an incremental process of 'muddling through'. This incremental vision was confirmed by Cyert and March (1963) and by another article by Wrapp (1967) titled 'Good managers do not make policy decisions'. However, Etzioni (1968) took on an in-between position, called 'mixed scanning', where strategists are supposed to develop a long-term vision while approaching the short-term step by step. On the basis of nine longitudinal case studies in large enterprises confronted with changes, Quinn (1980) concluded that incrementalism is logical because of the iterative characteristic of the strategic management

processes and the need to adjust strategies constantly. According to the learning school, strategic management is a fragmented process, whereby initiatives arise from different subsystems and top management defines strategies as broadly as possible and leaves options open as long as possible.

2.3.7 The political school

This perspective contributed to the strategic management thinking with respect to aspects and concepts such as power and coalitions. Studies that brought the power factor into strategic management literature were done by Allison (1971) and Perrow (1970). Strategic management according to this school means choosing your position and thinking in terms of move and counter-moves. Being able to make a distinction between power formation within an organization and between organizations is important. The latter level of analysis is the meso level in which the environment is clearly flexible. Securing a position to enable determines the rules of the game are a great influencing factor towards the competitive position of an organization. In as far as the micro level of environmental analysis is concerned; it is assumed that organizations have a single face, thus ignoring the large differences of opinion and the existence of a variety of power blocks within organizations. The importance of recognizing the different sorts of strategy formation and implementation and the development of these concepts in order to analyse them can be attributed to the political school of thought. It has been clearly demonstrated that this school of thought is strongly influenced by political science field of study.

2.3.8 The cultural school

The development of a common viewpoint for the organization is the essential issue. The contribution of this school is mostly in the insights with regards to the importance of a universal company culture for the formulation, and implementation, of a strategy. A strategy can only be successful if it is entrenched in the company culture and, therefore, the development of common values and insights is a critical issue. Strategy formation here is not bottom-up or top-down but must be approached from a shared perspective. The conceptual breeding ground for this school of thought is anthropology, and Normann (1977) has made an imperative contribution to the development of this school of thought to strategic management. This school of thought emphasises the crucial role that social processes, beliefs

and values are playing in decision-making and in strategy formation. It also explains resistance to strategic change and helps to deal with mergers and acquisitions.

2.3.9 The environmental school

The perspective was strongly influenced by the work of ‘population-ecologists’, like Hannan and Freeman (1977). By analogy to biology they look at organizations with the aid of the variation–selection–retention model. Strategies are positions in the market and if the favourable conditions that gave rise to the growth of the firm change, the organization is doomed. This approach is exceedingly deterministic and the room available for management to formulate strategies is non-existent. The strategy is therefore a response to the challenges imposed by the external environment. Where the other schools see the environment as a factor, the environmental school sees it as an actor.

2.3.10 The configuration school

According to this view strategy and organisational shape are closely integrated and should be reconciled, this school draws interest to the viewpoint that, foremost, strategies differ according to the life cycle of the organization, secondly, they are dependent upon the sector of the organization and, thirdly, they are about change and transformation. As such an organisation can be portrayed in terms of some constant configuration of its characteristics, which it adopts for a period of time in a particular type of context, Purcell (2001). This causes the organisation to act in particular ways that give rise to a particular set of strategies. The periods of stability are interrupted sporadically by some process of transformation. Therefore, strategic management is most of the time required to maintain stability, or at least adjustable strategic change, but intermittently there is need for change and to be able to manage that disturbing process without destroying the organisation, (Mintzberg and Waters, 1988). The way of the formation of strategy must as a result adapt to its own time and context, while it takes one or more of the mentioned forms, hence strategy formation itself has arrangements.

These are the various schools of thought to strategy formulation and strategic management, and therefore it is expected that Zimbabwean SMEs adopt strategic management using one of these various perspectives or a combination thereof. Therefore this study evaluated the most popular perspective to strategic management by SME managers and entrepreneurs dominating the way agro-processing SMEs formulate as well as implement strategies, in

general. This was a preliminary aspect of the study as the study focused on contribution of strategic management practices on their levels of success or failure. The notion that most business fail within the first five years can be curtailed when the SMEs are able to adapt and implement strategic management practices which include strategic planning as well as the formulation and implementation of the strategies commensurate with the vision and mission of the various SMEs.

2.4 What is a Small to Medium Enterprise?

In order to study how small businesses devise strategies, it is essential to firstly elucidate what is regarded to be a small or medium sized enterprise. A number of individuals authors and organisations have attempted to define what a small, or medium sized enterprise is, and a variety of definitions have emerged and there are a number of basic features about these definitions and generally they are based on measures such as the number of employees (head count), revenue levels, net assets, capital base, legal structure and degree of formalization, (Kapoor et al, 1997). As a result definitions vary by geographical places, industries and other variables (Storey, 1994 and Deakins and Freel, 2003). Deakins and Freel (2003) defined small businesses by the number of employees, by having a small market share and when the owners run the businesses in a personalized manner.

In South Africa, the National Small Business Act 102 of 1996 (South Africa, 1996) as amended by Act 29 of 2004 (South Africa, 2004) classifies small businesses into four classes, that is, micro enterprises which include survivalist enterprises; very small enterprises; small enterprises; and medium enterprises. The distinguishing features being the number of employees, except micro enterprises, which uses the turnover level as the criterion (South Africa, 1996, 2004; Von Broembsen, 2003). The government of Uganda defines a micro enterprises as one that employs up to 4 employees, a small enterprise has up to 50 employees whilst a medium enterprises employees between 50 and 400 people. It also uses annual turnover, and total assets or capital base as bases for defining SMEs (Mutambi, 2013).

Other authors who have also defined SMEs include Siropolis, 1997; Stokes, 1995 and such organisations in Zimbabwe like the Small Enterprises Development Corporation (SEDCO) and the Ministry of Small and Medium Enterprises have similarly endeavoured to define small and medium enterprises. SEDCO (2010) defined a small and medium enterprise as a firm that has not more than one hundred employees and maximum annual sales turnover of

US\$830 000. Government of Zimbabwe (GoZ) (2011) through the Small and Medium Enterprises Act 6 of 2011 (Chapter 24:12) now has very detailed and comprehensive definition for SMEs which is:

“Micro-enterprises, small enterprises or medium enterprises” (MSME) as a business entity, whether corporate or unincorporated, which, together with any of its branches or subsidiaries is managed by one person or jointly by two or more persons; carries on business predominantly in a sector or subsector of the economy specified in the first column of the Fourth Schedule; meets the criteria for classification as a micro, small or medium enterprise specified in the second, third and fourth columns of the Fourth Schedule opposite the sector or subsector concerned (or any other criteria relating to maximum employees, total annual turnover or gross value of assets excluding immovable property as may be prescribed generally or for the purpose of any scheme); and qualifies as a micro, small or medium enterprise by application of the formula set out in the Fifth schedule to the criteria specified in the Fourth Schedule.

The following are the guidelines as given by the Fourth Schedule to the Small and Medium Enterprises Act (Chapter 24:12). Only an excerpt of agriculture and manufacturing sectors is given in Table 2.2 below:

Table 2.2: SMEs classification in Zimbabwe

Sector or subsector of economy	Size or class of enterprise	Maximum number of fulltime paid employees	Maximum total annual turnover	Maximum gross value of assets (excluding immovable property)
Agriculture	Micro	5	\$30,000	\$10,000
	Small	30	\$500,000	\$250,000
	Medium	75	\$1,000,000	\$500,000
Manufacturing	Micro	5	\$30,000	\$30,000
	Small	40	\$500,000	\$500,000
	Medium	75	\$1,000,000	\$1,000,000

Source: Small and Medium Enterprises Act (Chapter 24:12)’s Fourth Schedule

This was an improvement of the prior definitions in which SMEs had been defined as enterprises which employs not more than 50 people and acting as a registered entity. Medium enterprises are firms employing up to 75 and 100 people.

Furthermore, the European Commission also classified SMEs by their number of employees, turnover or balance sheet size and they are further categorized into medium-sized, small and micro enterprises as shown in Table 2.3 below.

Table 2.3: SMEs classification in the European Union

Enterprise category	Headcount	Turnover	or	Balance sheet total
medium-sized	< 250	≤ € 50 million		≤ € 43 million
small	< 50	≤ € 10 million		≤ € 10 million
micro	< 10	≤ € 2 million		≤ € 2 million

Source: European Commission, 2003

However an even wider and bigger variation of the number of employees was given, according to the United Nations Conference on Trade and Development (UNCTAD) which classifies firms employing between 5 and 500 persons as SMEs as cited in Okello-Obura and Matovu (2011). It must be noted that all the definitions of SMEs have similar bases but however, the divergence in the numbers involved using similar bases is problematic. This is a sign of lack of consensus across nations of what makes up a small, or medium sized enterprise or entity. For purposes of this study, the classification of the various organisations as SMEs was primarily based upon the government of Zimbabwe definition and in respect to other aspects where the definition was found to be in appropriate the European commission definition was used as a proxy definition. Of paramount importance was the fact that the organisation must be formally registered with a registering authority. The SEDCO definition also provided a working definition for practical purposes of what is involved in the operations of SMEs in Zimbabwe.

2.5 Opportunities and challenges faced by SMEs

SMEs do not face their own special opportunities and challenges but rather because they operate in the same environment with their bigger competitors they face more or less similar aspects in this respect.

2.5.1 Opportunities

Kroon (1990) defines opportunities as favourable or unexploited situations in one or more of managers' environments that can proactive managers can utilize for the benefit of the organization. Opportunities in the business environment normally include such factors which may provide the firm with possibilities for expansion so as to make more sales and profits. For instance management can take advantage and vigorously market a product or service for there are a limited number of substitutes in the face of great demand. Chingosho (1990) added his voice by defining opportunities as external conditions useful for a firm to achieve its objectives. He further asserts that an entity should endeavour to identify practical opportunities that have a reasonable probability of success as distinct from anything that anyone or any firm might want to do. Chingosho (1990) noted the following opportunities for business organizations: good country image, favourable laws and regulations, competitors' vulnerabilities, possibilities of developing new products and positive market developments amongst others.

2.5.2 Challenges

These are the factors that restrict the ability of the firm to grow and have the effect of reducing sales and profit potential. According to Chingosho (1990) challenges encompasses all the external conditions which prove to be harmful and inhibits efforts to achieve set objectives. The effect of most of these factors can be countered or their impact can be softened where sufficient preparation has been made. Kroon (1990), notes that challenges are unfavourable situations manifesting in one or more of the management environment that could lead to disastrous results or even failure of the entity in the face of lack of proactive management. He further purports that such would include scarcity of a certain critical raw material or restricting legislation, entry into the market by a competitor, economic recession, technological change, demographic changes as well as demographic changes. Challenges that entities face in this world which has turned out to be a global village encompasses uncertainty, globalization, government policy and regulation, technology, supply chains as well as strategic thinking and problem solving (BMGI, 2015)

2.5.2.1 Uncertainty

All people, particularly business leaders, tend to exhibit great discomfort in the face of uncertainty. This may be uncertainty in credit markets, in the global economy, on the impact of new regulations on business activities, on competitor activity as well as uncertainty on the impact of new technology on business activities (BMGI, 2015). Uncertainty in most cases leads to a short term focus by managers who may shy away from long range planning all for short-term results, making uncertainty the excuse.

2.5.2.2 Globalization

BMGI (2015) conducted interviews where seven out of the 10 Fortune 500 CEOs indicated that globalization was their main challenge. There is need for managers and everyone in the firm to understand foreign cultures. The firm if it is to be successful ought to be able to penetrate new markets with existing products, should design new products for new customers as well as recognizing emergent, disruptive competitors (BMGI, 2015). All these were not know some months or just a few years ago. Challenges are present in understanding better the international markets, cultures and customer tastes and preferences globally. This requires “better information gathering and analysis of what it all means” (BMGI, 2015).

2.5.2.3 Government Policy and Regulation

Of much concern for companies is the dynamic regulatory environment. Though it is seems as if the volatility of the regulatory environment has somewhat settled down over the past years, a closer analysis reveals that organizations are constantly dealing with an unknown regulatory environment (BMGI, 2015). What is interesting is that most entities are getting along with the scenario of dealing with an unknown and unpredictable regulatory environment. Entities therefore should understand what regulation and government policy mean in their industry or their particular area of operation as well as its implications on the business.

2.5.2.4 Technology

The rate at which technology is developing escalates by the passing day. Astounding investment is thus needed for the firm to keep abreast with development. Investment can be ceded where a firm chose to depend on ‘next-generation technology’, relying on technology which is a year away in achieving an advantage over competitors (BMGI, 2015). This is risky considering that firms that invest can successfully establish barriers which may render the firm unable to benefit from this next-generation technology.

2.5.2.5 Supply chains

Entities nowadays have resorted to carrying smaller inventories as a result of uncertainty in the demand for the products and the need for staying lean (BMGI, 2015). Supply chain planning has become more challenging recently due to uncertainty in supply directed by wildly changing prices, escalating disruptions which are weather-related and mounting pressure for raw materials. Entities are thus in a dilemma which requires them to develop a supply-chain strategy that minimizes the risk of crippling supply-chain disruptions while simultaneously being at least possible cost (BMGI, 2015).

2.5.2.6 Strategic thinking and problem solving

Strategic thinking and problem solving tends to be a major challenge firms face. The lack of sophisticated approaches to information acquisition, analysis and the development of unique insight leave many companies at a disadvantage; they lack a long-term strategic imperative and instead jump from one strategy to the next on a year-to-year basis (BMGI, 2015). Lack of everyday problem-solving competency among present day managers restricts their ability to deal with other problems as they arise. Some leaders end up being drenched in short term planning thereby resorting to “fire-fighting” normally referred to as “management by crisis”

When all has been said and done the best way of thinking about opportunities and challenges is to realize that an outstanding business is the one which seek to turn challenges into opportunities, while simultaneously building on existing opportunities (Chingosho 1990). This requires management which is proactive, one which can plan carefully and forecast well into the future. Thus management should not be tied up with the operational planning at the expense of strategic planning. Strategic planning enables the firm to be proactive thus it will be able to foresee challenges and design corrective actions to convert these challenges into opportunities.

2.5.2.7 Strategies to ensure viability and sustainability

Not every strategy works well for every business organization, thus it is imperative that leaders chose and develop correct strategies early and ensure all efforts are expended in realising benefits from these strategies. Porter (1980) argues that strategy ought to have continuity since it cannot be constantly reinvented. Management should therefore do their own research, determine competitor activity emulate what competitors are doing right while simultaneously disregarding those strategies that will not work.

2.5.2.8 Start-up strategies

Kerr (2010) indicates that most businesses fail as a result of failure in choosing the appropriate start-up strategies. He further asserts that one has to identify a business venture that complements his or her experience and knowledge, then identify markets having long-term potential. The business ought to be kept simple as it requires more time and effort. It is advisable at this stage to keep a watchful eye for opportunities right are always available and those that may come along way.

2.5.2.9 Operational strategies

Operational strategies normally focus on the daily operational activities of the entity. Kerr (2010), notes that it is crucial for management to identify the company's mission. The mission will determine all other strategies. Goals should be established and strategies be developed to reach those goals based on their affordability, practicality as well as efficiency. Kroon (1990) stresses that goals should clearly expressed in writing, deadlines be set for implementation and where possible celebration of success should be regularly done.

2.5.2.10 Marketing strategies

In any kind of business one may venture into, marketing is crucial, be it online or by any other means. According to Kerr (2010), it is crucial to identify the target audience prior to choosing the best marketing strategy. For instance, a target audience of business professionals may have success on LinkedIn rather than on social network platforms like Twitter or Facebook.

2.5.2.11 Staff retention

Kroon (1990), notes that companies can ensure continuous viability and sustainability if they expend efforts and resources in retaining key employees within the organization. They may be able to build knowledge bases over the years. This makes the companies learning organizations, which have employees who are creative and innovative. Knowledge bases are stored in the human brains and are continuously improved and updated. If used correctly a company can obtain an edge over its competitors. A major loss is suffered if such employees decide to part ways with the organization.

2.5.2.12 Future of the manufacturing industry in Zimbabwe

The Zimbabwean economy that had been on recession during the hyperinflationary period was once brought on track soon after dollarization of the economy. In recent years a somewhat deflation is being envisaged. The following are cited as the trends that may assist in projecting the future of the economy.

2.5.2.13 Increasing formal sector unemployment

Many people once gainfully employed now are roaming around the streets in pursuit of means for earning a living. Gadzikwa (2013), noted that as of the year 2013 formal sector unemployment was pegged at 90%. This indicates that many people in the country are not formally employed with only about 10% being formally and gainfully employed as of the year 2013. This probably counts for those employed in various government departments. This saw many people resorting to unorthodox means of earning a living by venturing into the informal sector and this has immensely contributed to the informalisation of the economy.

2.5.2.14 High costs of funds

The manufacturing sector of any country is so crucial that a country cannot meaningfully look after its citizens when this sector is in utter demise. The sector requires huge investments in the form of acquisition of machinery, research and development just to name a few. Entrepreneurs who contemplate investment in this field ought to have the necessary funds without which they can be easily chucked by competitors or they may fail even in the face of very low competition. In Zimbabwe the manufacturing sector is being affected by continuous upsurge in the cost of funds (Gadzikwa 2013). This inhibits revival and growth in the sector as companies need funds to finance their activities.

Investment in equities by potential investors is dwindling, as the fear for losing their wealth is mounting since the risk is very high. They now tend to favour debt financing which since this form of investment has some form of security. Also it usually has a higher interest rate to compensate for the associated risk. It is thus gradually becoming difficult to source funds for expansion and harnessing the benefits of technological advancements in most companies. This may continue into the future if no corrective measures are taken to stabilize the economy.

2.5.2.15 Problems in accessing raw materials and machinery

The country is endowed with raw materials needed for the productive processes. These comes in the form of minerals, like gold and diamonds; agricultural produce like maize and cotton. These however, require sophisticated machinery if they are to be efficiently extracted and processed. As the companies lack the necessary financial resources they cannot import the

state of the art machinery to fully harness the benefits that comes with endowment with raw materials.

2.5.2.16 Uneven playing field for local businesses

Locally produced products are priced at prices which prove to be unaffordable to the locals. There is therefore widespread increase in quantities of imports which are lowly priced. Gadzikwa (2013), notes that these imports are subsidized in their countries of origin while others should not qualify under the certificates of origin. Consequently, local companies are now deprived of market for their goods both locally and internationally.

2.5.2.17 De-industrialization of the economy

The Zimbabwean economy has been gradually de-industrialized. As a result of this De-industrialization many companies have closed shop and the country has witnessed stoppage of many production processes. According to the propositions of Gadzikwa (2013, p. 5) many companies in Zimbabwe have closed shop, particularly those producing secondary goods. Corrective measures should be taken, through a holistic approach, whereby all people cooperate for the revival of the country's industries. This may go a long way in resuscitating the country's fortunes.

2.6 Strategic Management practices

2.6.1 Strategic competitive practices

Ambastha and Monaya (2004) regard competitiveness to include performance in earnings, growth and profitability; quality of products, services and capacity to satisfy consumer expectations; productivity in terms of higher production and lower use of resources; innovation in products, services and management process; and image in corporate branding, building trust and reputation in relationship with stakeholders.

Porter (2001) argues that strategy must not regard competitiveness of an entity to be limited to specific and known forces of the market in which the business operates, but competitive forces should be looked into in relation to competitive strategies the entity uses such as cost leadership, differentiation or focus strategies. Mintzberg (1994) argues that businesses should use strategies that establish solid long term corporate visions and leaving flexibility for the specifics of daily operations to adapt. This is because it is difficult to properly anticipate

future events and hence plan resource allocation and actions for long term strategies. Mintzberg recommends that businesses should consider building institutional capacities and competencies so that they have the resources to understand, confront and respond to unexpected changes in the market. Fan (2005) notes that the success of a business depends on the relationship with its major stakeholders, understanding of the competitive environment, image and reputation built on transparency, information, communication and reporting practices.

2.6.2 Strategic corporate governance practices

Corporate governance deals with the internal handling of businesses such as general business ethics and proper business guidelines. The corporate governance in entities is developed on the framework of balancing the interests of a variety of key groups such as employees, managers, creditors, suppliers, customers and community (Solomon and Solomon, 2004). Corporate governance affects all activities of the organisations that either produce goods or provide services (Turnbull, 1997). SMEs must be governed well in order for them to achieve their objectives. Francis (2000) observes that the concept of corporate governance gained prominence because of the stock market crashes in different parts of the world and in the aftermath of failure of some corporations (such as Enron and WorldCom) due to financial scandals which caused the loss of trust in systems that were in place and therefore it became very difficult for corporates to ignore their ethical responsibilities and good corporate governance practices.

Adams (2002), notes that for organisations to run well, managers must run them while boards ensure that organisations are run effectively and in the right direction. It has been acknowledged by Clarke (2004) that improved corporate governance is critical for the growth and development of any economy. Many other studies have revealed that there are links between the performance of the businesses and the governance practices of their boards (Kiel and Nicholson, 2002). Other studies carried out in the US by Gompers *et. al.*, (2003) established a strong relationship between good corporate governance practices and shareholder performance. On the same note, the study revealed that two-thirds of investors were prepared to pay more for shares of the companies that had good corporate governance practices. Monks (2002) observes that corporate governance framework should include greater use of independent directors, access to outside advice for boards, review of board and executive remuneration and limitations on the power of CEOs.

Ulrich (2008) asserts that stakeholders can be instrumental to an organisation's success and have moral and legal rights. Therefore, Freeman and Mcvea (2001) conclude that when stakeholders get what they want from a firm, they return to the firm for more. It is also purported that the corporate leaders should consider the claims of stakeholders when making decisions and conduct business responsibly towards the stakeholders (White, 2009). It is noted that corporate scandals are as a result of failure by entities to consider stakeholder concerns in decision making (Watkins, 2003). Kendall (1999) mentions that good governance consists of responsibility and due regard to the wishes of all stakeholders and ensuring entities are answerable to all stakeholders. Ho (2005) notes that good corporate governance practices enhance organizational competitiveness.

2.6.3 Strategic planning practices

Strategic planning practices according to McWilliams *et. al.*, (2006) are viewed as critical ways that the businesses use to address the stakeholders to analyze their expectations. Burke and Logsdon (1996) narrate that firms analyze the environment which enables them to account for issues of government regulations, social nature, communities and societies, and hence establish the right responses. Mintzberg and Lampel (1999) observe that Strategic planning practices are the articulation and elaboration of strategies, or visions that already exist. Harrington *et. al.*, (2004) conclude that a firm's strategic planning practices should guide all those activities necessary to adapt the environment. Anderson (2000) explains further that formal strategic planning practices enable the management in establishing right and proper strategic path for entities as a whole. Slater *et. al.*, (2006) observe that an active and systematic assessment of environmental conditions is very important since formal analysis of external and internal environments generates information that enables top level management taking proactive actions in uncertain environments.

Fineman and Clarke (1996) argue that by assessing the external environment, some issues of non-market nature related to firms' formal strategic planning practices are found. The issues include behaving socially responsible towards communities and natural environment. O'shannassy (2003) asserts that businesses should always analyze internal stakeholders in their strategic planning practices. For instance, when firms are regularly engaging their employees in strategic discussions as a part of formal planning process, they are likely to

develop such strategies and practices that increase the chance of social responsibility towards their internal stakeholders (Covin and Miles, 2007). Galbreath (2010) argues that when different functions interact with various stakeholders, they get information on the stakeholders' individual needs. Miles *et. al.*,(2006) concur that since CSR is multifunctional in nature, integration in various functional areas help formal strategic planning processes to provide the essential knowledge in establishing CSR strategies. Galbreath (2010) further illustrates that the line managers, middle and top level management personnel are very important in collecting, processing and disseminating information on employees, customers and market trends as well as an additional knowledge can be received from outside consultants and experts to establish strategies. By use of strategic planning practices, efforts to analyze both internal and external environments, use knowledge from multiple resources, and assist businesses to understand and formulate appropriate responses.

It is argued that since firms operate in highly competitive environments, creating a winning strategy is not a onetime event since a good strategy today might not be successful the following day. Businesses might give emphasis on product differentiation and customer service while other organisations might be considering price. Therefore, harmonization of all functions in a business is very important. Schraeder (2002) observes that CEOs, top management and line management are involved in strategic planning practices when there is high demand for proactiveness, environment is complex, and speed of adjustment in conditions of high competitive pressure. This means that strategic planning practices can be done through internal orientation, external orientation, functional coverage, formal, informal, and centralization process.

2.6.4 Strategic total quality management practices and CSR performance

Total quality management practices consider customer satisfaction, participatory management and results orientation. As a model, it provides a set of methods and practices that are appropriate at all levels of management. Lopes and Capricho (2007) argue that TQM allows the businesses to get feedback and evaluation on an integrated way throughout the business cycle of the entity. Bergquist *et. al.*, (2006) explain further that TQM practices originated from Japan where continuous search for quality products has continued to yield the desired results. Rouse (2005) asserts that TQM practices are categorized into plan, do, check and act cycle. In some firms, low quality services have been experienced and this has generated low expectations, dissatisfaction and frustration. However, the businesses can

apply TQM practices and register some improvements. Bergman and Klefsjo (2003) note that TQM practices are management systems consisting of values, methodologies and tools aimed at satisfying the needs and expectations of the customers with a reduced amount of resources.

TQM practices explain a comprehensive and structured approach to firm management which majorly aims at improving the quality of products and services through continuous refinements in response to feedback from consumers. Oakland (2003) argues that the ultimate aim of the TQM practices is achieved by improving customer satisfaction through the best possible product quality. Investments in quality and productivity influence the perception that stakeholders have of the firm, allowing them to assess its reliability, and generate an appreciation of the firm, which are the engines behind the trust of customers and the environment. Ghobadian *et.al*, (2001) highlight that TQM practices are management innovations used globally in business. Ghobadian *et. al.*, (1998) concur that TQM practices successfully strike a balance between the goal of the firm and doing the right thing in terms of respecting the interest of stakeholders.

Wicks and Freeman (1998) argue that TQM practices are driven by a set of interrelated concepts that simultaneously feature management practice and moral values. A number of empirical studies carried out reveal that there are several benefits realized as a result of TQM practices introduction. The US GAO (1990) did a study on 20 organizations that had implemented TQM practices and revealed: superior financial performance; improved employee relations; improved operating procedures; and enhanced customer satisfaction. Roth (1993) alleges that the improvement in the financial and operational performance resulting from TQM practices is critical to the likelihood of parastatals behaving ethically.

2.7 Strategic management in SMEs

Pushpakumari and Watabe (2009) noted that in literature pertaining to SMEs, there is so far no clear consent on what strategy is, but rather there are numerous definitions. Strategy is commonly described as a intentional set of actions designed to accomplish a competitive advantage, resulting in coherence and direction to the organization, (O'Regan and Ghobadian, 2005). Literature also advocates that companies can either encompass a single strategy or multiple strategies and these strategies are likely to exist at three levels; which are: the corporate level, business unit level and functional level strategies.

This view to strategy was also supported by Aremu (2010) who put forward that strategy is desirable in order to direct effort and support the harmonization of all activities in an organisation so that common outcome may be achieved. As such, devoid of strategy an organization turns into a group of individuals, with no common target and for this reason strategy is necessary to make certain that the combined actions and application of efforts towards achievement of organizational plans and objectives are realized as per plan. This is especially more necessary in SMEs where almost everything is usually highly informal right from the form of business through to the employment and as far the actual execution of tasks. Johnson and Scholes (1993) as cited by Aremu (2010) view business strategy from a cultural angle, and portray it as a being based on the experience, postulations and attitude of management overtime and which may ultimately infuse the entire organization.

Strategy can also be viewed as a broad-based procedure for how the company is going to compete and what policies are required in order to achieve the goals and success for the organisation (Porter 1980, cited by Aremu, 2010) and (Kazmi, 2008). In simplified terms, strategic management is directed towards the deployment of a company's internal strengths and weakness in order to capitalize upon its external opportunities and minimize the effect of its external threats/problems (Adeleke, Ogundele and Oyenuga, 2008; Thompson and Strickland (2003); and Nwachukwu (2006). Therefore, strategic planning is aimed at having a supportive environment in order to realize and uphold better overall performance and returns for the company and the shareholders (Johnson, Scholes and Whittington, 2008). Strategic management is thinking through the overall mission of a business by establishing what the business is all about (Drucker (1974), as cited by Akingbade, Akinlabi, and Dauda, (2010).

As a result an understandable strategy is essential for smaller firms to augment their business performance, yet regardless of the significance of strategies in small firms for better performance and growth, only diminutive research has focused on this area. A huge amount of the strategy literature concentrates on large firms, leaving behind literature gaps on strategy in small, entrepreneurial firms (SMEs). One of the reasons for this is the conviction that smaller firms are too busy with daily running problems and day-to-day procedures to allocate time to strategic thinking (Karami, 2007). Small and medium enterprises (SMEs) are considered to be the engine of economic growth through employment generation, contribution to the nation's GDP, technological innovations and other aspects of economic and social development (Kutllovci, Shala and Troni, 2012).

Kutllovci et al, (2012) further asserts that SMEs are also important because they are key drivers of employment and economic growth. The growth of SMEs depends on ability of those firms to apply strategic management. In fact in the study done Kosovo by Kutllovci et al (2012) they found that company performances improved to most of the SMEs that made use of the strategic plan as a strategic document represented by around 65% of the respondents. In that context, strategic management is very essential for small and medium enterprises in times of global competition, technological change and increased dynamics in markets. Even if many entrepreneurs do not formulate business plans, the strategic planning and systematic decision-making can be considered a key determinant of survival and success of small firms.

The study therefore examines the relationship between strategic management and small and medium enterprises (SME) growth in relation to empirical studies that include various strategic management elements. Particular focus was made of SMEs that process agricultural commodities and the findings are extrapolated to other similar entities. These entities under study are based in Harare but the findings are likely going to be usable in a variety of settings similar to the environment in Zimbabwe that is within Zimbabwe and outside of the country. The study also sought to validate or otherwise disprove the assertions by some of the authors cited above of the belief that SMEs already have enough of their daily operational challenges to devote any time and effort to strategic management.

2.7.1 Extent of adoption of strategic management by SMEs

According to Posner (1985), there is a huge misconception about planning in SMEs, where it is believed that real entrepreneurs do not plan but rather use efficiently limited time resources. For SMEs to be able endure and grow calls for some aspects of strategic management, but it has been empirically proven through a number studies that SMEs are involved in strategic planning (Mboko and Hunter-Smith, 2009). Before Zimbabwe's independence, the manufacturing, selling and distribution of agro-processing equipment together with the processing of agricultural produce was basically reserved as a business area for the large scale corporates, (Mhazo, Mvumi, Nazare and Nyakudya, 2012). The mid-1990s brought about quick expansion of formal as well as informal small and medium scale producers of equipment; as well as a dramatic increase in small and medium sized agro-

processing ventures. As a result a wider diversity of processed food and non-food products became available on the market.

Despite the resultant increase in the number of players in the agro-processing sector, the market forces as well as the existing economic environment tended to support growth of medium scale enterprises by rationalization of large scale processing systems and upgrading of small scale processing enterprises. The agro-processing industry plays a crucial role in the national economic development and has latent to meet the national needs and possibly some for exporting. The complimentary infrastructure for the industry such as electricity supply through the government-funded rural electrification programme, and road and telecommunication network is well established, though electricity supplies are sometimes erratic. However, the sector currently faces many challenges emanating from the poor performance of the national economy, uncertainties that exist over access to finance, limited research, limited technical advice, limited marketing information and lack of reliable markets and therefore possible lack of the application of strategic management practices, (Mhazo, Mvumi, Nazare and Nyakudya, 2012).

Strategy adoption and implementation has been found to be problematic not only for SMEs but also for huge corporations with the result that almost 9 in every 10 companies fail to implement their strategies well. This view is supported by a number of authors for example a White Paper on strategy implementation in Chinese businesses reported a massive 83% failure to smoothly implement strategies of the companies surveyed, whilst a mere 17% indicated that they had a consistent implementation process (Li *et al.*, 2008). Therefore, based upon the findings of this study it was established whether or not SME companies in Zimbabwe are actually experiencing growth as a result of the default poor operating environment or they have deliberate strategies in place to manage their operations for success. The business environment in Zimbabwe is very unstable and unpredictable and the economic state is rather skewed with in some instances supply and demand not matching given the fact that the average manufacturing sector capacity utilisation according to the CZI state of the manufacturing sector survey for 2014 was around 36.3% which leaves a huge demand gap and therefore a potential for having default growth in SMEs which may probably not be premised upon any strategy.

2.8 Effects of strategic management on SME performance

Strategic management implementation's most important concern is making certain the organisation's performance is enhanced by means of the creation and shaping of successful strategy, either by way of planned and/or emergent initiatives, to outmanoeuvre rivalry (Carpenter & Sanders 2009; David 2009; Ehlers and Lazenby 2004; Hult, Ketchen and Slater 2005; Mintzberg 1994; Pearce and Robinson 2009; Slater and Olsen 2001; Slater, Olsen and Hult 2006; Hough, Thompson, Strickland and Gamble 2008).

It is worthwhile to note that great strategies are meaningless if they cannot be implemented (Okumus and Roper 1999). From this statement it can be extrapolated to say that it is superior to execute efficiently a lower grade strategy than to destroy a first-class strategy by futile implementation. It is known and recorded in literature that less than 50% of formulated strategies get implemented (Mintzberg 1994; Miller 2002; and Hambrick and Canella 1989). Every failure of implementation is a failure of formulation. Therefore, it takes superior entrepreneurship and competent strategy implementation and execution to produce superior organizational performance in the long-run.

In studies concerned with the assessment of performance in SMEs, it has developed into a critical issue and it is suggested that the treatment of performance in such research settings is a very difficult task facing academic researchers for some time now as alluded to by Venkatraman and Ramanujam, (1986). Among the various reasons for this is the fact that, performance is not always clear what it means or what is the appropriate operational definition for performance. However, in discussions pertaining to entrepreneurship research, a wide variety of definitions and variables are employed in a bid to define and measure the term performance in a business (Murphy, Trailer and Hill, 1996). Similarly, conceptual frameworks developed for purposes of assessing performance in small firms there are reflected by a multi-dimensional nature, and according to Keats and Bracker (1988), performance has a variety of meanings for small firms as opposed to larger firms and it is symbolized as an inseparable, one faceted notion which implies a multiplicity of interpretations and measurements (Keats and Bracker, 1998).

In a research which was conducted through a survey of Medium Enterprises in Nairobi, Kenya, between July and September 2006, by Gichunge (2006), it was found that competition also influences adoption of formal strategic management. It was also found that organizations

with formal strategic management perform better than those without formal strategic management. Strategic management is likely to result in the organisation coming up with proper strategies like the adoption of organisational learning as a strategy. Of which researchers believe organizational learning generates novel information and skills which are important strategic resources, which have the aptitude to improve the innovation by the SMEs or organisations (Chirico, 2008) and ultimately their performance (Craig and Dibrell, 2006).

SMEs need to constantly consider improvement of manufacturing cost structures, delivery timetables, production technology and skills, supplier relationship and productivity in all their business practices (De Wit et al, 2007). This is only a function of having effective management practices which may entail strategic management practices as well as strategic planning. This view was supported by St-Hilaire (2011) who also believes that the practice of strategic planning and strategic management is very significant in order for businesses' to enhance their capacity to realize and sustain any competitive advantage over any of their rivals. Similarly, findings by Apolot (2012) exposed a positive significant relationship between strategy implementation such as the innovation strategy and company performance in Uganda which further showed that when SMEs have well-kept and functional structures, processes and required competences, this would enhance their performance.

Furthermore, it is widely recognized that organizational learning is dependent upon practices and routines, as well as patterns of interaction both inside and remote to the firm, as well as the capacity to assemble entity implicit knowledge and encourage interaction. Such learning can therefore be encouraged by way of carefully designing practices, routines and relationships, or through a more flexible, fluid organisation in which individuals are encouraged to create original information and ways of doing things. This is then part of the strategy of the organisation otherwise known as the organisational learning and innovation strategy. This however, appears to be a major barrier for SMEs as the owners tend to be protective of their business territories as their ideas are usually very young to accept an infusion with foreign ideas.

In a study which examined the influence of strategic management on the performance of small scale enterprises in Lagos, Nigeria by Dauda, Akingbade and Akinlabi (2010) tested two hypotheses to determine whether: There was a significant relationship between strategic management and organizational profitability; or if there was a significant relationship

between strategic management and company market share. The researchers used a cross sectional survey research for the study and 140 participants were randomly selected among small scale enterprises in Lagos metropolis. The findings revealed that strategic management practices enhance both organizational profitability and company market share. In other words, Dauda, Akingbade and Akinlabi (2010) concluded in their study that strategic management practices augment both SMEs' profitability and market shares and as a result suggested that strategic planning concepts ought to be implemented by business organizations despite their size and locations.

This view was supported in a study which had been done earlier by Veskaisri, Chan and Pollard (2007) who put forward that devoid of a clearly defined strategy, a company has no sustainable basis for creation and maintenance of an aggressive edge over rivals in the trade in which it operates. These authors were also of the view that effectual planning and implementation of the plans and strategies plays a constructive role towards the financial performance of organizations. It is on similar bases that Aremu (2000) stated that a number of Nigerian businesses both small and medium sized do not have formal plans or in cases where such formal plans are existent, organizations do not adhere to these plans in their day to day operations. Whist on the contrary, Miller and Cardinal (1994) and Rogers, Miller and Judge (1999) had earlier on empirically concluded that the role of formal planning systems in business management is only informational, that is planning only informs the organisation and its people on the desired performance outcomes or targets required by the organisation.

The view that the proper implementation and adoption of strategies by businesses regardless of their size was also supported by Inkoun (2003) in a case study of Ghana which established that SMEs' performance is directly linked to the entrepreneurial skills of the owner, which result in the crafting and implementation of strategies as well as strategic management and therefore, business owners with at least some form of commerce related credentials or qualifications tend to continue to exist by 30% more than those owned by non-business related qualified persons. This was also corroborated by Koush (2008) in a study of SMEs' collapse in Korea who found that foreign competition was more predatory to manufacturing SMEs than home competition. The ability of a firm to overcome either domestic or foreign competition is a function of the development and proper implementation of a counter-competitive strategy, which in essence represents the practice of strategic management. It must be noted that a number of studies other have supported the notion that there is a positive

association relating strategic planning and management and corporate performance, some of these studies include (McIlquham-Schmidt (2010); Robbins, Bergman, Stagg and Coulter (2008); Silverman (2000); Pearce and Robinson (2007); Smith and Golden (1989); Hill, Jones and Galvin (2004) and Danso (2005).

McIlquham-Schmidt (2010) conducted a meta-analysis or a meta-analytical review of the relationship between strategic planning and corporate performance on 88 studies from 1956 to 2003 with a total sample size of 32,472 observations. The meta-analysis results implied that strategic planning has a positive consequence on corporate performance, even though lesser than what strategic management literature existent to date had asserted. This view actually showed the positive impact of an organisation whether an SME or a conglomerate of engaging in some form of strategic management practices such as strategic planning. This was based upon one of the hypothesis used in this meta-analysis, *“The relationship between strategic planning and corporate performance is positive across different industries, sizes and study context”* McIlquham-Schmidt (2010).

Therefore, in order for SMEs in Zimbabwe’s agro-processing sector to improve their performance they ought to engage in these practices, the study however, started by evaluating the extent to which these SMEs have been able to adopt or even their level of appreciation of the existence of such practices within their organisations. Given the overwhelming evidence which is provided by a variety of studies conducted in various parts of the world and in different operating environments it was found that, the performance of any business is directly influenced by the strategy it pursues, and this has been corroborated academically over a much longer period of time as witnessed by the number of studies which have agreed to the same conclusions, such as Pearce and Robinson (1985); Olson and Bokor (1995). Some other numerous researchers have linked specific strategies with performance, as well as differentiating between high and low performance strategies (Smith (1967); Covin and Slevin (1986); Covin (1991), and Chell, Haworth, and Brearley. (1991)).

The strategies associated with high performance were recognized with actions that normally result in success in a particular industry which are the key success factors (Hambrick, 1983). Researchers have identified such initiatives to include the following: practices that emphasise on product quality, encouragement of product and service innovations, development of new operating technologies, as well as the invention of new markets, (Robinson and Pearce,

1988). Actions linked with high performance strategies were also found to include emphasis on exceptional customer service and support, widespread advertising, and use of external finance, (Covin, 1991). Furthermore, since high corporate performance strategies involves initiative-taking, these are regularly called proactive strategies, (Steiner, Miner, and Edmund, 1986). All activities for pursuing a proactive strategy were found to be very well integrated by Galbraith and Schendel (1983).

However, some studies which were focusing on business strategy items and performance have recognized that there are several relationships between strategy activities and the performance of an entity. These activities include improvement of current products so that they can meet ever changing customer needs, developing new products and emphasis on product quality which is positively related to market share increases through attraction of new customers as well as retention of existing ones, (Robinson and Pearce, 1988 and Zeithmal and Fry, 1984). Directly contrasting to high performance strategies are lowly performing firms which usually disregard such inventive and risky activities. High-performing firms were found to be willing to implement new manufacturing technologies, placing emphasis on cost-effectiveness as well as being concerned with their productivity in order to compete effectively within their industry in contrast to the low-performing firms, (Anderson, Cleveland, and Schroeder, 1989) and Vickery, Droge and Markeland, 1993).

Predominantly, some empirical researches explored the various strategy orientations and performance of firms, and during these considerations, two major classes of strategy typology were found being the proactive and reactive strategies. A study was conducted in the furniture industry which related business strategies and performance by Kotey and Meredith (1997) established that high performing firms pursued proactive strategies whilst poor or low-performance firms pursued mainly reactive strategies (Kotey and Meredith, 1997). It was also found that average performing firms exhibited a blend of both proactive and reactive strategies and as a result their performance was mediocre.

It is in this light that the study also evaluated the effect of foreign imports of agro-processed commodities or even the smuggling into Zimbabwe of agro-processed goods on the operations of agro-processing SMEs and the probable strategy which was employed by the company to overcome this competition. This is because most SMEs are usually blamed for going into the market like blind man with no strategy of how they intend to achieve what they

wish to accomplish. Since firms which perform below average tend to follow others in the industry and to react to events in their environment, (Pushpakumari and Watabe, 2009). In other words a firm with no strategy is more reactive than one which has a strategy in place which takes the time to evaluate the operating environment after which it makes plans accordingly.

2.9 Factors which affect adoption of strategic management by SMEs

The implementation of strategy is the most complex and time consuming component of strategic management and managers do not give much thought to the planning the implementation of their as they give to the formulation of strategy (Shah, 2005). Numerous factors influence strategy implementation in any type of organisation and as a result, affect organisational performance. Innumerable factors have the potential to influence a comprehensive strategy or a single decision. Difficulties typically crop up during the consequent implementation process (Li, Guohui and Eppler, 2008). Leaders' thinking is often faulty; as a result, nearly nine from every ten times, they fail to effectively implement the strategies they generate (Speculand, 2009). Speculand (2009) argues that leaders customarily underestimate the challenges of implementing strategy and allocate this procedure to others, taking their eyes off what requires to be done; hence, strategies do not succeed not for the reason that the strategy is wrong, but because the execution was badly done.

A number of SMEs in Zimbabwe and the world over are extensively disadvantaged and have a tendency to pursue a particular approach to strategy execution. Meldrum and Atkinson (1998) are of the view that when things do not go as per plan, the *status quo* is sustained and that, where explanations are required, they are likely to be basic. They note that this emphasizes that something more than understanding is required for thriving execution of a business crucial. Meldrum and Atkinson (1998) affirm that, this can be accomplished by senior managers in the organisation taking liability for the development of team members. This leads to a situation in which new skills having to be developed foregoing strategy execution in order to champion strategy implementation. Human resources deficits negatively affects strategy implementation amongst many SMEs and in under developed countries where resources are inadequate; development of management tend to be regarded as being a minor issue and resources are applied in other organisational areas.

Nyamwanza (2013) found the following as the prerequisites for effective implementation of strategy by SMEs. Availability of required resources to implement the strategy; the level of financial discipline in the organisation; the availability of skilled, experienced and competent employees to ensure the strategy is attainable; the hip of the management or leadership of the organisation; the ability of the management of the entity to understand the environment; the level of clarity of the organisation's vision and goals; the existence of planned strategy execution activities or tasks with deadlines; the existence of effective communication in the organisation; proper evaluation of the capabilities of the organisation before any effort to implement the desired strategy; management systems operating in the organisation; the level of strategic thinking or strategic mind-set in the organisation and; the organisational culture and values.

The following barriers to the implementation of strategy were found by Ali and Hadi, (2012) in Iran. The barriers were initially found to be pertaining to strategic planning process or the organisation, management, employees as well as the environment in which the business operates from: poor rapport between the set strategies and current short-term goals of the firm Improper time limits/specifications for the implementation process of strategies, poor agreement between decision makers and implementers of the strategies, lack of adaptation of suitable strategic plans into business plans and short-term operational objectives and the distribution of these goals between different sectors, inconsistency and misalignment between organizational structure and developed strategies, improper distribution and insufficient financial resources within the company for the purpose of strategy pursuance, insufficient and poor information sharing among individuals and departments involved in implementing the strategy, improper communication amongst individuals, departments and units of the organization, ineffective synchronization between different levels, units and departments in the company.

Organizational culture which is incompatible with organization strategies can also be a barrier together with negative and undesirable competitive activities between the units and existence of unit-based vision within the company lack of programs, tools and models for implementing the strategy, inappropriate leadership and management styles in the company, poor understanding by managers and employees of company strategies and future prospects, little commitment by management to the organization and its strategic plans, employees' fright of endangerment of their job security, low ability and competences of staff in line with

the objectives and tasks, cultural and social impediments, as well as poor team spirit between the employees.

In order for any organisation to effectively implement strategies it has to establish the conducive environment and ensure the factors that support the implementation process are in order, especially those within the control of the organisation. For the environmental factors the organisation has to come up with a plan for the implementation of the strategies which suits best the obtaining environment or which otherwise minimises incidents of the impact of these factors. This study therefore, found out what factors have been found by the management teams at various agro-processing SMES as factors that helped them to implement any strategy if they have any strategy in place or impeded them where there was no strategy in place. A comparison was also made with the findings above by Nyamwanza (2013), in order to establish if there are any similarities in the factors.

2.10 Conceptual Framework

The Technological Capabilities theory popularised by Lall (2001) argues that being small is risky as it is in the animal kingdom where the young and small animals are easy prey victims of the larger predators. Application of this theory in business suggests that small firms do not easily access finance from lenders for the reason that they lack required security and therefore lending to them is considered to be extremely unsafe and risky. This means that the only likely way that SMEs can raise finance is through self-financing, however their initial capital is small and their turnover is also small whilst operating costs are very high, they are trapped in a ferocious circle of smallness which is hard to escape from and may result in the ultimate collapse of most SMEs. As a result of the limited resources available to SMEs they then tend to focus their effort on the allocation of resources towards achievement of their greatest short-term benefits, which in most cases exposes the SMEs to having to react to external pressures as they unfold instead of being proactive (McAdam, 2002). The question that has to be asked and answered is whether or not the problems faced are always about capital. What role can strategic management play in SMEs given the number of challenges which imply that failure is the only option for SMEs? Given that Volberda (2010) found that strategic management is based on long-term forecasts, helps the company to anticipate future challenges and opportunities.

The term strategy is closely linked with the objectives that it tracks. According to Kotler and Keller (2007) strategy should express the basic idea of which way the company goals are achieved. According to Meers and Robertson (2007), the association of strategic planning and management to small business success has for some time been investigated and acknowledged as well as the importance and contribution of strategic planning towards small firms is imperative (Beaver, 2007). The application of strategic management in Zimbabwean SMEs in the currently obtaining business environment is suspected to be still at a very low level. This notion was confirmed in an empirical investigation of some 267 organisations, Joyce and Woods (2003) found that firms using systems of strategic management were able to make faster decisions and effectively executed change and innovation which resulted in growth; hence they were able to escape the vicious circle of smallness and the associated problems.

“If you want to be more successful, then obtain more knowledge of the strategic planning process” (Hodges and Kent, 2007 p.8). Hodges and Kent (2007) were very precise in giving direction to small business owners, since examination of the outside environment is a vital stage in strategic planning however it is done. This can be achieved by use of “critical success factors” (CSF), “what if” analysis, “SWOT” analysis (strengths weaknesses, opportunities and threats), or even just “stakeholder analysis”. The appraisal of outside business circumstances is regarded as being very essential to all the planning which can be done in any organisation (Beaver, 2007). Whilst the exploitation of strategic management tools to support the growth of businesses has been confirmed empirically, its practice by managers in small firms was regarded as still very limited (Woods and Joyce, 2003).

The possibility of business success in a volatile environment demands highly skilled management in which Zimbabwean SMEs have significant gaps especially in terms of lack of strategic thinking and awareness, as most SMEs in Zimbabwe are owner managed. Therefore, this study evaluated whether or not strategic management has a part to play in helping SMEs escape from the vicious circle of smallness and struggling emanating from the fact that no financial institution has no confidence in their business because most of the times they lack basic structures like having a proper organogram which defines the key people and roles within the organisation.

2.11 Summary

This chapter has reviewed theoretical as well as empirical theory about the subject of strategic management right from its formulation to its implementation with a focus being put on the factors which are relevant for effective implementation in the settings for SMEs ultimately. The various definitions of SMEs have also been established from a number of authors and the effect of strategic management on company performance has been discussed as well. The next chapter presents the methodology which was used to carry out the study, that is, to gather the data from the SMEs under study and the managers and employees of these organisations.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

The previous chapter reviewed both theoretical and empirical literature on the subject of strategic management in general and specifically as it applies to SMEs as well as in relation to the objectives of the study. This review of literature also assisted in the identification of the research gap which the current study wishes to fill academically. This chapter now gives the methodology which the researcher employed to gather data from agro-processing SMEs in a bid to effectively address the objectives as well as answering the research questions. The following sections outline the methodology aspects which were used in the study and it includes the research design, philosophy, strategy and the data collection methods.

3.1 Research Design

The rationale of a research design is to ensure the researcher that the data collected facilitates successful addressing the study problem in an impartial way. As propounded by Creswell (2009), a research design is generally a plan that one chooses in an apt and methodical way to carry out the research. This was also supported by Terrell (2012) who further described a research design as a road map which determines the proper course when carrying out the study. Some other preceding scholars such as Denzin and Lincoln (2005) viewed the research design as a synopsis of actions that a researcher uses to gather, scrutinize, infer and present his or his research findings.

Accordingly, the chosen research design was a descriptive qualitative design, nonetheless for effectively addressing the objectives of the study a mixture of both quantitative and qualitative research methods were used. The quantitative methodology examined the extent of the adoption of strategic management by agro-processing SMEs and the qualitative methodology examined factors that have been supporting or impeding the implementation of

strategic management in SMEs as well as highlighting other significant environmental factors that contribute to the understanding of strategic management in SMEs in other sectors in Zimbabwe, than the agro-processing sector. The application of a descriptive research design in this study is principally informed by Sage (2003) who put forward that a descriptive research acquires information regarding the current position of the phenomenon and explains what exists with respect to variables or conditions in a situation. Therefore, in this study, the descriptive research design was suitable since it provided the current levels of adoption of strategic management practices in SMEs in general and specifically agro-processing SMEs.

The major benefit of the descriptive design is that respondents respond in a setting which is absolutely ordinary, hence reliable information is collected, and this was supported by Johnson and Christensen (2008), as suitable. Sage (2003) agrees with Johnson and Christensen (2008) that descriptive studies have potential to yield rich data that leads to essential recommendations. Thus, by employing the descriptive research design, the researcher was in a position to collect rich data for detailed examinations which led to well informed ways of enhancing the adoption of strategic management in SMEs in the agro-processing sector, which is very important to Zimbabwe's economy and the well being of the citizens. Munn and Drever (2004) also set in their voice in favour of the descriptive design, which they depict as an approach which collects a large amount of data, which is very essential in this study since the findings can be generalised to numerous SMEs in Zimbabwe, in any other sector.

Although the researcher preferred the descriptive design for this study, it has its own shortcomings. The researcher was nevertheless in a position to devise proper instruments for the study, which facilitated collection of as much information as feasible. Natalia (2006) highlights another flaw of the descriptive research design, which is privacy, since participants are not honest as they sense the need to tell the researcher what they believe the researcher wants to hear. Which however, is mostly difficult during interviews; participants may also snub with information they view as personal. Descriptive research also presents a bigger likelihood for error and bias.

3.2 Research philosophy

According to Saunders, Lewis and Thornhill (2009), research philosophy pertains to the development of knowledge as well as the characteristics of the knowledge. The available research philosophies include but are not limited to pragmatism, positivism, realism and interpretivism. Positivism and interpretivism fall under the term epistemology which is about what is suitable knowledge in a field of study (Saunders et al., 2009).

Interpretivism is based on inductive reasoning where data is collected first and then explanations on the data are sought and is most appropriate for social settings which by nature are more subjective since the findings are interpreted by people (Saunders et al., 2009). People as social beings are unpredictable hence subjective conclusions are possible. The adoption of strategic management practices in any organisation is driven by people and may be defined and motivated in different ways. According to the diffusion theory, there are some people who embrace innovation earlier than others, and therefore the adoption of certain practices by organisations may also follow this theory. Therefore, the understanding of adoption of strategy and strategic management practices by laggards may be absolutely dissimilar from that of early adopters, hence the findings from these parallel groups was rather skewed.

3.3 Research strategy

A research concept or meta-theory refers to basic beliefs or assumptions against which phenomena should be understood and studied. As noted by Johnson and Clark (2006), for business and management researchers there is the need to be conscious of the philosophical commitments made throughout the choice of research strategy to be used since this has considerable impact not only on what is done but what is understood about what is being investigated. Therefore, a case study strategy was used and the choice of the case study strategy was meant to enhance understanding the complexity and context of behaviour in order to add to action and intervention (Cohen, Manion, and Morrison, 2007).

Multiple case studies were used to exemplify the adoption of strategic management practices in SMEs in the agro-processing sector, which was based on the sample as defined below. The decision to devise and carry out case studies, the unit of analysis was plainly distinct and one must be certain that it is harmonious with the principal objectives of the study (Yin, 1989 p.

52). Additionally, a case study is applicable when the focal point is on a perceptive assessment of occurrences such as an organization located in a certain context or environment and conducted in specific timeframes (Bryman, 2008; Creswell, 1998). The time delimitation for this study was mainly the period 2010 to 2014 though the current state of affairs was also consulted in order to determine what is being done by agro-processing SMEs to ensure these organisations embrace and enjoy the full benefits of strategic management practices and their implementation within the various organisations which were under study.

The individual SMEs which studied were treated as individual organisations, hence single case studies for purposes of determining the unit of analysis and as propounded by Yin (1989), there are two categories of the single case study strategy. The first class is the holistic case study in which the entire entity is a solitary component for purposes of data analysis particularly in instances where sub-units cannot be clearly recognized or when the theory directing the study is similarly holistic. The second category is an embedded case study strategy that has the unit of analysis is the entity as well as the sub-units that make up the whole entity. The holistic case study option was adopted in this study as it entailed studying the adoption of strategic management practices by the various agro-processing SMEs as a whole, though the organisations have a number of departments but the adoption of strategy is seen as an organisation wide phenomenon which cannot be adopted by a single department within an organisation which therefore, gave the benefit of wide-ranging analysis that results in diverse insights from the single case.

As an empirical examination, case studies thrive on a variety of sources of data such as archival data, documents and interviews hence permitting for triangulation of data sources as well as instruments of data collection. A case study also involves multiple methods of data collection (Yin, 1981; Yin, 1989). The focus of this study was on both the responses of the organizations as individual entities and of the managers of the various departments of the organisations under study. The choice of organisations under study was principally guided by the fact that the SMEs are legally registered in terms of the relevant and applicable statutes in Zimbabwe which governs the registration and operation of business entities. Furthermore, the choice was guided by the fact that the organisations are business organisations and not humanitarian or community assistance (donor) organisations.

3.4 Population and sampling techniques

The following discussion covers the population and sampling techniques to be used in the study.

3.4.1 Population

Saunders *et al.* (2009) defined the research population as the full set of cases from which a sample is drawn. Target population is the entire number of units under study. In this research the target population consists of all the directors, managers and supervisors from all the registered and operational agro-processing SMEs operating in Harare according to the Small and Medium Enterprises Association of Zimbabwe (SMEAZ). According to Luck and Rubin (2007), who argue that defining the population of the study is very important as it provides the basis on which sampling was conducted. According to the SMEAZ, there are 280 registered agro-processing SMEs operating in Harare and these were the target population.

3.4.2 Sampling

Saunders *et al.* (2009) note that not all members of the population are assessable for reasons of cost and time limits and hence the likelihood that there is need to choose a sample which is representative of the target population through the process of sampling. The main objective of sampling is to obtain maximum information about the population under study within the set time frames and the available resources as per the research budget (Dutta, 2006).

The study employed a combination of simple random and convenience sampling, since it was not possible to have equal access to all staff of the companies as they have different responsibilities and different working schedules. Firstly, random sampling was for the selection of SMEs studied as the sample of the agro-processing SMEs and then convenience sampling was within the selected SME organisations; the sample was made up of managers who participate in the strategy formulation at the various SMEs, and where these were unavailable the second line or level of management was used until a satisfactory population had been reached and the lowest level of participants was at the supervisory level since all these levels were considered to have managerial responsibility and therefore, they either contribute during the creation of the companies' strategies or simply take part at the strategy implementation level.

3.4.2.1 Sample size

As propounded by Best and Khan (2006) 10% of the target population was an adequately large sample. The research had a sample size of at least 25% of the agro-processing SMEs

registered with the SMEAZ which translates to at least 70 entities. From each of the targeted SMEs the population was at least two of either the directors, managers or supervisors from any department whose number in total were in excess of 140 individuals, in order to achieve this, the sample was attained using convenience sampling, that is targeting those members of management from the SMEs who were accessible for the study within the confines of the limitations of the study.

3.4.2.2 Sampling procedure

The sampling procedure adopted by the researcher in this study was guided by literature and was made up of both probability and non-probability sampling methods which were simple random and convenience sampling. In probability sampling, as alluded to by Kumar (2009) it was imperative that each element in the population had an equal and independent chance of being selected into the sample. The term equal implies that the probability of selection of each element was not influenced by any other criteria such as individual preferences. Whilst the notion of independence meant that the choice of elements was not reliant on the selection of another element during the sampling process. This therefore means the selection of the SMEs studied was not influenced directly by the researcher but each of the 280 organisations had an equal chance of being selected for the study representing the rest of the organisations. Sampling techniques classified under probability sampling include stratified, simple and systematic random sampling. The study made use of simple random sampling for purposes of the study.

Non-probability sampling is used where the chance of each case being chosen from the total population is indefinite and it is impractical to respond to research questions or even deal with objectives that need one to formulate statistical inferences regarding features of the population (Saunders et al., 2009). This study used convenience sampling to select participants used in the research, from the randomly selected SMEs. Saunders et al. (2009) argue that convenience sampling involves a haphazard selection of those cases that are easiest to get hold of for the sample and this process is continued until the required sample size has been attained. The benefit of using convenience sampling is that the research subjects are sited with greater ease and at a lesser cost. However, its disadvantage is that it is exposed to unfairness and pressure that is outside the researcher's control.

3.5 Sources of data

This refers to the origin of information used in the study. The research used mainly primary data supported with few secondary data.

3.5.1 Primary data

Primary data refers to unique data collected for purposes of the current study and it is gathered by the researcher exclusively for the research at hand. The benefit of making use of primary data is that it is not brief and it has all the facts pertinent for the study at hand as it is collected particularly for the current study. The weakness of using primary data is that it is costly to collect and it is time consuming. Structured and unstructured questions were compiled into a questionnaire used in order to get information from the selected sample.

3.5.2 Secondary data

Secondary data is data that was collected for a different use other than the current research (Saunders et al., 2009). Secondary data used related to strategy documents used and prepared by the management of the various SMEs that process agricultural commodities and any strategy review documents for the companies as well as from launch ceremonies of new products, company publications obtained through the companies' websites and in the newspapers. The advantage of secondary data is that it already exists and as a result is obtained at a lesser cost. On the other hand, secondary data's main drawback is that of being too brief which may result in some significant original facts being lost. The secondary data may not sufficiently meet the demands of the current study given that it was collected for some other purpose.

3.6 Data collection procedure

The data was collected by use of a self-administered questionnaire to the supervisors, managers and directors from the various SMEs. In order to triangulate data collection instruments data from directors who had accessible phone numbers was collected through the use of telephone interviews where these directors could not be interviewed face-to-face. The questionnaires were delivered to the respondents in person by the researcher and respondents were given one week to respond to the questionnaires subsequent to which they were collected in person by the researcher. In order to follow-up respondents, the researcher got the contact details of the respondents and used these to get hold of the respondents when they finished responding to the questionnaires before the one week in order to avoid cases where

the questionnaires could be lost. The following other records obtainable from the companies were also reviewed to provide secondary data: financial statements, strategy documents and any other reports profiling the companies relating to their strategy as provided by the SMEs' management.

3.7 Data analysis

Data from questionnaires was coded and presented in tables, graphs and descriptive statistics were used to analyze the data. Each questionnaire was given an exclusive code in the order they were received from the respondents. The same codes were used for capturing the findings into SPSS for purposes of analysis of the findings. The researcher analysed and presented the data by use of descriptive statistics, which as defined by Leedy and Ormrod (2010) is a set of statistics that describe a body of data. Data analysis is a process of transforming data into useful information (Lancaster, 2005).

The researcher used distillation, classification and communication to organise the data. Distillation involves sieving through huge volumes of data into a structure that is more easily manageable and useful, and it also involves leaving out data which is not appropriate for this study in view of addressing the objectives of the study. Then classification is the grouping of data into categories that enable the researcher to quickly analyse the meaning of the data. Common forms of descriptive statistics include; frequencies, percentages and averages were used. The responses were analysed using these statistics to enable easy interpretation and discussion of the findings.

3.8 Research limitations

The research study was subject to the following major constraints two main constraints, time and participation bias. The research covers the period 2010 to 2014 hence, the researcher was not able to exhaust the other pertinent information in the various SMEs especially for companies with high volumes in terms of the release of information; the researcher however referred to the significant company publications outside the given period in order to have an insight of the growth patterns and the potential impact of strategic management practices. Participant bias in that the participant may not disclose accurate information hence may affect the findings of the research. Participants have a responsibility to safe guard company information hence participants are not likely to disclose all the information, especially about strategy as strategy is referred to as the game plan of the organisation hence divulging this

information may be deemed sensitive. In order to mitigate this, the researcher used personal relations in the organisation as contact points for distribution of data collection instruments and coordination of the work so that they can release the information to their colleagues whom they can trust better than an outsider.

3.9 Research ethics and data credibility

Participation of respondents in the study was purely voluntary, none was forced to respond or participate in this study.

3.9.1 Permission

Permission to carry out the research at the various SMEs was sought from the respective authorities at the companies concerned.

3.9.2 Informed Consent

The researcher explained what the research is about and participants decided whether or not to participate. According to Patton (2002), informed consent is a process whereby participants give their consent to participate in a research after getting honest information about its procedures, risks and benefits. In this case respondents were free to decide if they wanted to participate or not.

3.10 Chapter Summary

The research used the descriptive research design that incorporated qualitative methods and some borrowed quantitative analysis techniques for purposes of data analysis. The study samples were selected using convenience sampling from the qualifying employees of the various SMEs who include the directors, managers and supervisors who have some managerial responsibility at either the strategic level, middle management or even lower levels of management as these are responsible for the crafting of the strategy as well as its implementation/adoption. The questionnaire was the key data collection instrument, and personal or telephone interviews were carried out with the senior management of SMEs in order to achieve triangulation. The next chapter gives the presentation of the study's findings. In addition, the results are discussed and interpreted linking these findings to the literature reviewed in Chapter two.

CHAPTER 4

DATA ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter presents data obtained through primary and secondary data. It involves presenting and also analyzing data collected on the strategic management practices in agro-processing SMEs: case of Harare SMEs. The presentation of findings does not in itself provide answers to research questions, therefore in addition an analysis, interpretation and discussion is essential. In this chapter the researcher presents the results derived from the study in relation to what the study set aside to achieve through the objectives. The results are discussed and interpreted with a view to linking the findings to the literature reviewed earlier. This chapter also provides a vital link between the primary findings, and the conclusions and recommendations. The discussion is presented under each objective to show how findings relate to the research objectives as well as the research questions.

4.1 Response rate

The researcher issued 140 questionnaires to individuals in the SMEs selected and out of these a total of 80 questionnaires were responded to completely and these were considered valid for this study translating into a 57% response rate. Thus, the sample used in this study was a more representative sample. This assists in making conclusions from the results of the representative sample. The table below shows a summary of the response rate.

Table 4.1 Questionnaire response rate

Responded	Not Responded	Total
80	60	140

4.2 Analysis of Personal information

The 80 respondents in the research represented staff from different departments in the agro-processing SMEs, with different years of experience, with different positions and different qualifications. All these differences made it possible for respondents to answer the questions differently as they had different opinions. Table 4.2 summarizes personal information of the respondents.

Table 4.2 Personal information

	Frequency	Percentage (%)
Gender		
Male	59	26
Female	21	74
Total	80	100
Age		
30 years and below	34	43
31-40 years	39	49
41-50 years	4	5
50 years and more	3	4
Total	80	100
Working experience		
0-5 years	3	4
6-10 years	73	91
11-15years	4	5
16 years and more	0	0
Total	80	100
Position held by respondent		
Owner	14	18
Manager	16	20
Both owner and manager	45	56
Supervisor	5	6
Total	80	100
Highest level of education		
Primary level	1	1
Secondary level	14	18
Certificate or diploma	24	30
Degree or higher	41	51
Total	80	100
Form of business operations		
PBC	14	18
Pvt Ltd	25	31
Partnership	41	51
Total	80	100

4.3 Extent of strategic management adoption by agro-processing SMEs

From the findings, 64% of businesses do not have formal long-term plans and strategies and 36% are in possession of such long-term plans. Chandler (1962) referred to strategy as the long-term goals of an enterprise and the plan of action to apportion the required resources for carrying out these goals. In addition, implementing strategic performance and making corrective adjustments in strategy and/or how it is being implemented in view of actual experience, changing conditions, and new ideas and opportunities. With 64% of businesses without formal long-term plans and strategies, the above cannot be attained. This is despite the fact that before Zimbabwe's independence, the manufacturing, selling and distribution of agro-processing equipment together with the processing of agricultural produce was basically reserved as a business area for the large scale conglomerates (Mhazo, Mvumi, Nazare and Nyakudya, 2012).

The mid-1990s brought about quick expansion of formal as well as informal small and medium scale producers of equipment; as well as a dramatic increase in small and medium sized agro-processing ventures. As a result a wider diversity of processed food and non-food products became available on the market. Okumus and Roper (1999) reckons that, it is worthwhile to note that great strategies are meaningless if they cannot be implemented and this view is well known and recorded in literature that less than 50% of formulated strategies get implemented (Mintzberg, 1994; Miller, 2002; and Hambrick and Canella, 1989). Every failure of implementation is a failure of formulation and as a result it takes superior entrepreneurship and competent strategy implementation and execution to produce superior organizational performance in the long-run.

In a bid to clarify on the extent of adoption or use of strategic management practices by SMEs in the agro-processing sector a number of closed ended questions in order to assess whether or not the organisations were engaging in the SWOT analysis. This is because the SWOT analysis is a critical procedure whenever an organisation engages in the strategic management process which starts off with the strategic planning. At the strategic planning process level there is need to assess an organisation's own strengths and weaknesses and compare these to the opportunities and threats presented by the external environment. In order to fully capitalise on the opportunities and minimise the impact of threats there is need for a self-check and self-evaluation so that plans are set within the means of the organisation. This process is sometimes viewed as being quite a challenge given the fact that as reported in

Figure 4.2 above majority of the respondents were either owners or owner-managers representing a total of 74%. The self-introspection of the SMEs appears to be greatly impaired by the fact that owners are managing their own businesses. Results of the findings obtained pertaining to the SWOT analysis are given in tables below. Table 4.3 below shows the actual number of responses provided by respondents:

Table 4.3: How businesses take advantage of different factors in comparison to competitors

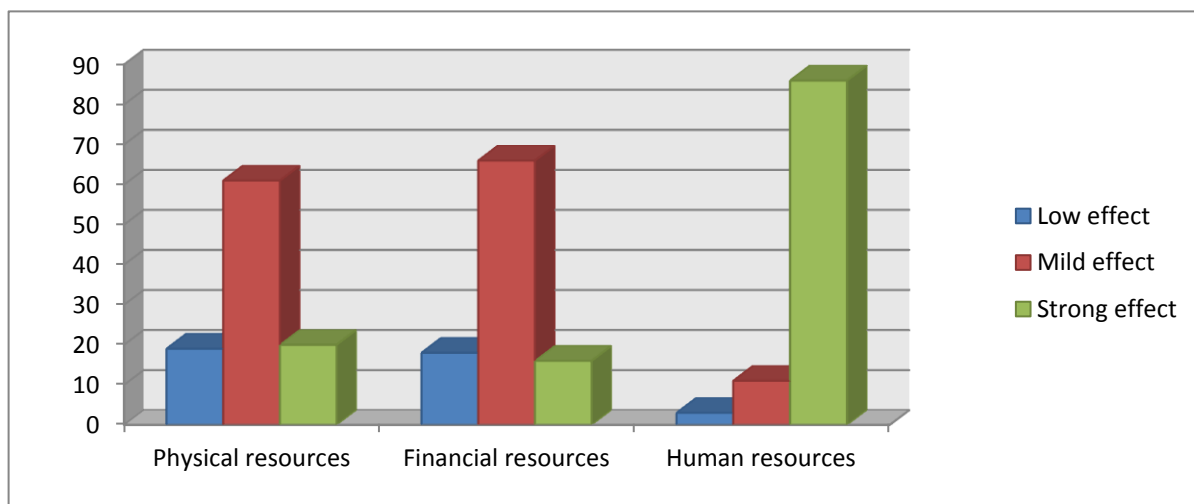
	Low effect	Mild effect	Strong effect
Physical resources like equipment/machines	19%	61%	20%
Financial resources	18%	66%	16%
Human resources	3%	11%	86%
Right skills	91%	5%	4%
Business location	80%	19%	1%
Product variety offered	73%	17%	10%
Product uniqueness	74%	15%	11%
Low production costs	69%	16%	15%
Availability of a ready and loyal market	73%	24%	3%

Table 4.3 above indicates how well SMEs under the study are not sure if they do take advantage of various resources meant to give their businesses a competitive advantage in comparison to competitors, only human resources are being capitalised upon agro-processing SMEs. As presented in the table, there are indications that of the factors studied; SMEs are generally not taking enough advantage of physical resources like equipment/machines (20%), financial resources (16%), Right skills (4%), Business location (1%), Product variety that they offer (10%), Product uniqueness (11%), Low production costs (15%) and the availability of a ready and loyal market (3%). This implies that these SMEs do not have a competitive strategy in place and given that fact the same business cannot afford to have any other strategy in place, thereby supporting the view given in Figure 4.9 above. Yet, strategy can be viewed as a broad-based procedure for how the company is going to compete and what policies are required in order to achieve the goals and success for the organisation (Porter 1980, cited by Aremu, 2010) and (Kazmi, 2008).

4.4 How well the SMEs can take advantage of resources over competitors

As shown in Figure 4.1 below majority of the agro-processing SMEs cannot take advantage strongly of these resources as highlighted earlier. In addition and as alluded to in literature, strategic management is directed towards the deployment of a company's internal strengths and weakness in order to capitalize upon its external opportunities and minimize the effect of its external threats/problems (Adeleke, Ogundele and Oyenuga, 2008; Thompson and Strickland (2003); and Nwachukwu (2006). Therefore, strategic management is aimed at having a supportive environment in order to realize and uphold better overall performance and returns for the company and the shareholders (Johnson, Scholes and Whittington, 2008). Strategic management is thinking through the overall mission of a business by establishing what the business is all about (Drucker (1974), as cited by Akingbade, Akinlabi, and Dauda, (2010). This is illustrated by figure 1 below.

Figure 4.1: How well the SMEs can take advantage of resources over competitors



Source: Primary Data

4.5 Factors that disadvantage the firm compared to competitors

Most of the respondents indicated that they are greatly disadvantaged by their lack of resources which as shown by Table 4.3. The problem could be that the respondents were able to recognise what they do not have and unable to recognise that they are unable to deal with what is within their reach which may not cost them much so that they can enhance their performance. In other words the respondents are too pessimistic rather than having plans and strategies in place before engaging in activities which ensure they realise their set strategies. In a research conducted through a survey of Medium Enterprises in Nairobi, Kenya, between July and September 2006, by Gichunge (2006), it was found that competition also influences

adoption of formal strategic management. It was also found that organizations with formal strategic management perform better than those without formal strategic management. The table below illustrates the responses.

Table 4.4: How do the following factors disadvantage your firm compared to your competitors?

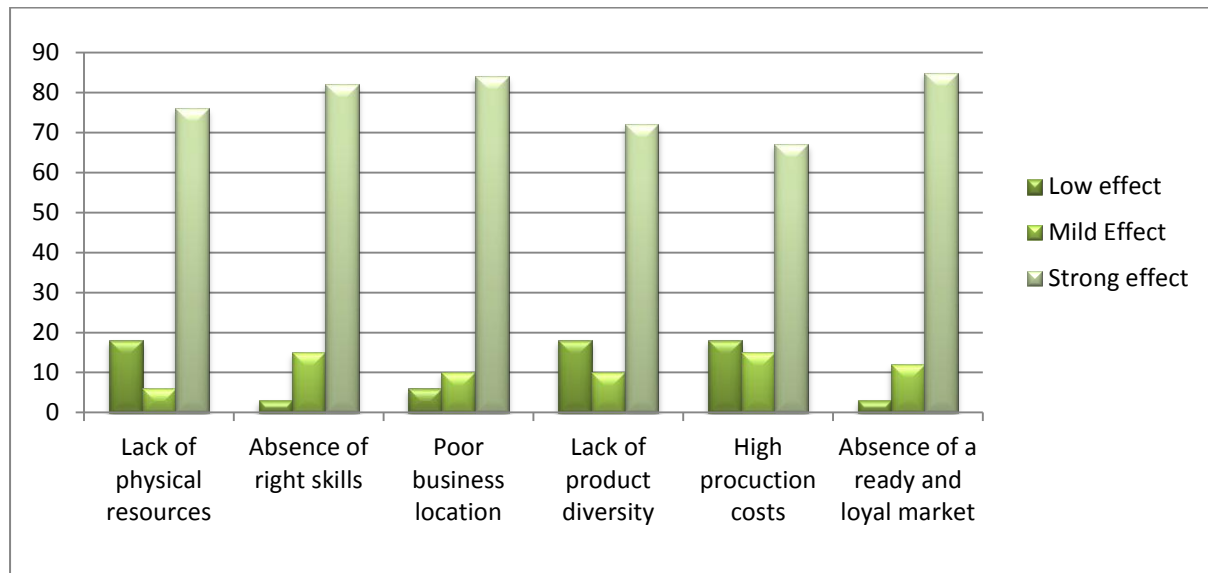
	Low effect	Mild effect	Strong effect
Lack of physical resources like equipment	18%	6%	76%
Insufficient financial resources	18%	5%	77%
Lack of human resources	15%	20%	65%
Absence of the right skills	3%	15%	82%
Poor business location	6%	10%	84%
Lack of product diversification	18%	10%	72%
Lack of unique products	9%	24%	67%
High production costs	18%	15%	67%
Absence of a ready and loyal market	3%	12%	85%

4.6 Effect of the absence of resources

As shown in figure 4.3 below all the factors enquired respondents indicated that all the factors under study were found to be of a strong effect as indicated with the tallest bars. The same was also corroborated by the findings obtained as shown above showing that majority of the SMEs are not doing very well with average annual turnover being between \$30,000 and \$500,000 and it can be deduced that majority of the 86% in this band were in the lower extent of this range. This is also supported by having a higher head count of fulltime paid employees who are also in the 6 to 40 range, which was supposed to translate into better performances indicating good revenue generation performance. Strategic management is likely to result in the organisation coming up with proper strategies like the adoption of organisational learning as a strategy. Of which researchers believe organizational learning generates novel information and skills which are important strategic resources, which have the aptitude to improve innovation by the SMEs or organisations (Chirico, 2008) and

ultimately their performance (Craig and Dibrell, 2006). When assessing the impact of threats on the operations of the agro-processing SMEs, the findings are presented in Table 4.3 below.

Figure 4.2: Effect of the absence of resources



Source: Primary Data

4.7 Strength of different threats to the business

Bellaaj, Bernard, Pecquet and Plaisent (2008) assert that external pressures exerted by competitors, customers, business partners, the media and the larger public itself can force firms to adopt technological innovations as strategies to enhance their performance. The same findings were corroborated by the findings obtained from the study where lack of relevant technology was viewed by respondents to have a huge impact with 61% of respondents under study. A massive 84% of respondents indicated that economic factors were a huge threat to the SMEs as they viewed these as being prone to factors such as high interest rates, inflation and short business cycles. This is shown in Table 4.5 below.

Table 4.5: How strong are the following threats to your business?

	Low threat	Mild threat	Huge threat
Creditors/Suppliers actions and conditions	0%	38%	62%
Customers change of tastes and preferences	0%	46%	54%

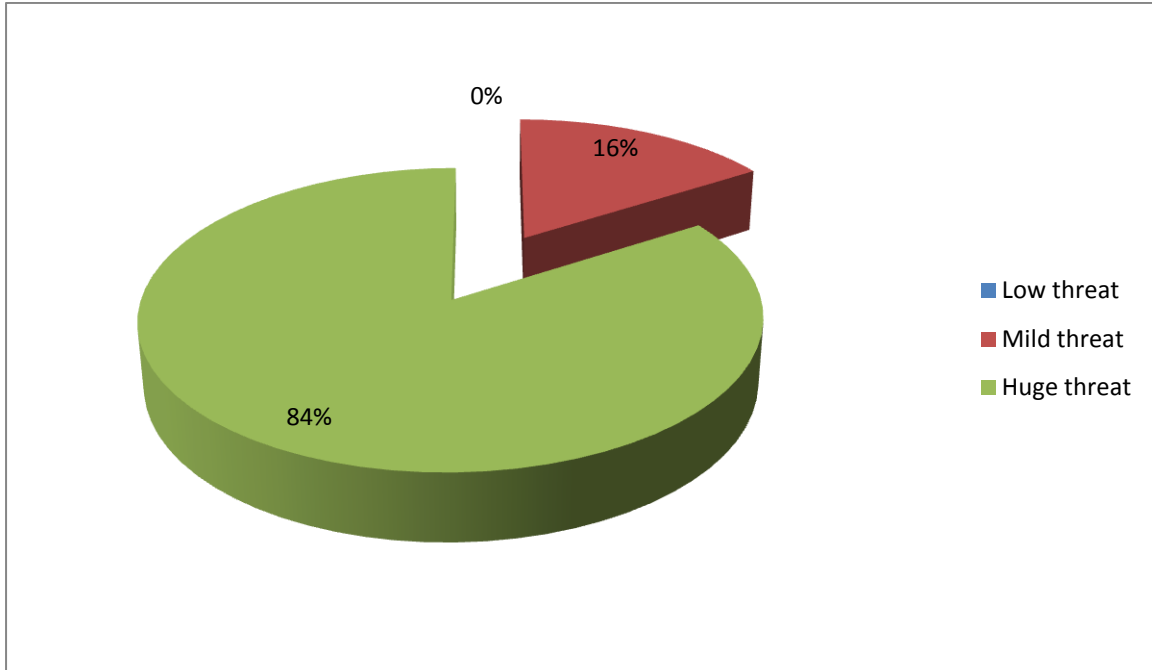
Labour organisations/regulations	33%	42%	25%
Rivalry from existing competitors	0%	26%	74%
Threat of new competitors	0%	28%	72%
Conditions set by suppliers	0%	43%	57%
Substitute products	0%	6%	94%
Government policies- Government stability, taxation, projects	0%	19%	81%
Economic considerations- High interest rates, inflation, unemployment, short business cycles	0%	16%	84%
Environmental considerations - Environmental laws, waste disposal	15%	50%	35%
Technology- Cost of technology, Lack of relevant technology	3%	36%	61%
Social factors –Income distribution, lifestyles, education levels	4%	19%	77%
Legal Factors- City council by-laws, Acts from parliament.	0%	20%	80%

4.8 Economic threats

As shown by Figure 4.3, SMEs in the agro-processing sector are vulnerable to economic threats such as changes in exchange rates, interest rates and inflation since a majority of them do not have a financial strategy which would otherwise help them to anticipate and manage financial risks. There is subjective evidence on the influence that market competition has on the uptake of strategic management practices within SME businesses. For instance, whilst Filiatrault and Huy (2006) argue that the intensity of competition contributes to adoption of such strategic management practices by business organisations, Thong (1999) on the other hand, found that competition influences the adoption of new technologies as business strategies to a very little extent in small enterprises. In contrast, Premkumar and Roberts (1999) state that the pressure of competition is a strong factor that influences adoption. Finally, Lertwongsatien and Wongpinunwatana (2003) have found that there is a relationship

between the intensity of competition in an industry and the degree of adoption of strategic management practices.

Figure 4.3 Economic threats

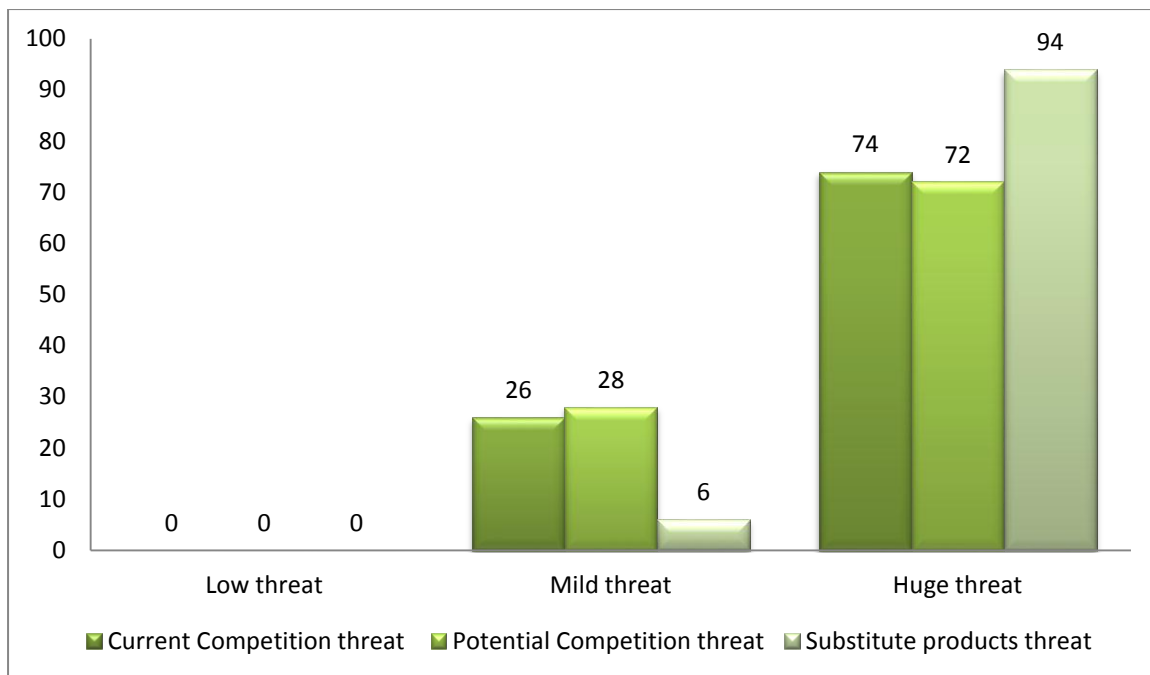


Source: Primary Data

4.9 Threats of competition and substitute products

As indicated by Figure 4.4, all the tree factors were reckoned to be huge threats to the SMEs in the agro-processing sector indicating that the businesses are operating without a competitive strategy which should have helped them mitigate the effects of rivalry and new products on their operations. These are also supporting evidence to suggest that the SMEs had no strategy in place to deal with competition as well as to deal with these external threats. The businesses were not prepared to minimise the impact of almost all the threats from the external environment except for labour organisations (25%) and environmental laws (35%), as shown in Table 4.5 above.

Figure 4.4: Threats of competition and substitute products



Source: Primary Data

4.10 How ready is your business to take advantage of the following opportunities in the market?

SMEs in Zimbabwe and in Harare specifically, operate in a rapidly changing business environment and they should be able to adopt and adapt to any such changes by having properly laid down strategies to deal with such changes in the external environment. There is need for businesses to continually innovate in order to keep up with the pace of change. It is common knowledge that businesses that do not innovate, within such an environment die. In agreement with this assertion, Laudon and Laudon (2004:118) state that;

“Organisations that exist in a hyper turbulent environment must go beyond reacting to a situation but must innovate as a result. These companies tend to be champions of new innovation with a faster development of ideas. Change can provide new avenues for growth but can also increase organisational entropy, that is, the inability to change.”

Information given in Table 4.4 above is also presented in the form of Table 4.6 given below which shows that SMEs which were under study showed that they were not ready to changes in customer tastes and preferences and taking first mover advantage as well as an increase in customer base. Whilst on the contrary in terms of these same factors respondents indicated

indecision in terms of these same factors and worrisomely is the level of readiness in terms of economic prospects and political prospects only.

Table 4.6: How ready is your business to take advantage of the following opportunities in the market?

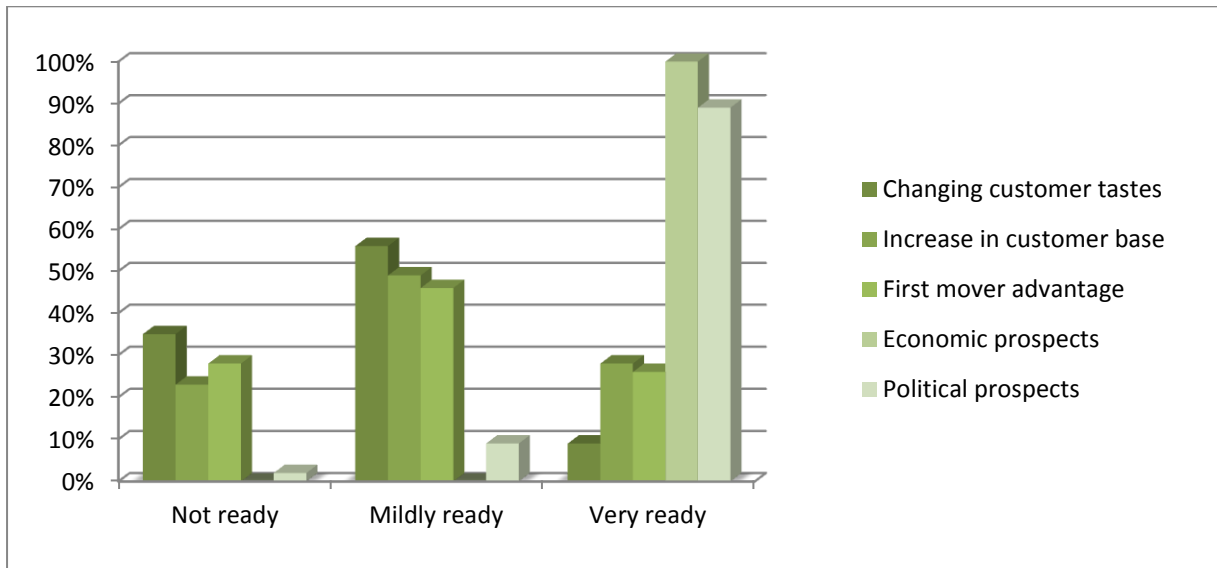
	Not ready	Mildly ready	Very ready
Changing customer tastes and preferences	35%	56%	9%
Increase in customer base	23%	49%	28%
First mover advantages	28%	46%	26%
Favourable economic prospects	0%	0%	100%
Favourable political prospects	2%	9%	89%

4.11 Readiness of SMEs to exploit opportunities

SMEs represent an important source of innovation. They tend to occupy specialised market niches and follow competitive strategies that set them apart from other companies. Innovation within the firm calls for adoption of strategies and tools such as strategic management practices that allowed for this to be achieved. Results above indicate that most of the agro-processing SMEs are not able to take advantage of changes in customer tastes (9%) and preferences and increase in customer base (28%) as well as taking first mover advantages (26%). This shows that majority of agro-processing SMEs are not ready to take a leading role in their businesses but rather are responsive to changes in the market showing that this majority does not have strategies in place which catapults them ahead of both competition and opportunities which arise in the market. On the contrary all respondents showed that they are ready to take advantage of favourable economic prospects (100%) and favourable political prospects (89%).

Success of any business depends on the ability of the organisation to take advantage of changes in tastes and preferences, yet respondents in the study indicated low levels of readiness to capitalise on these.

Figure 4.5: Readiness of SMEs to exploit opportunities

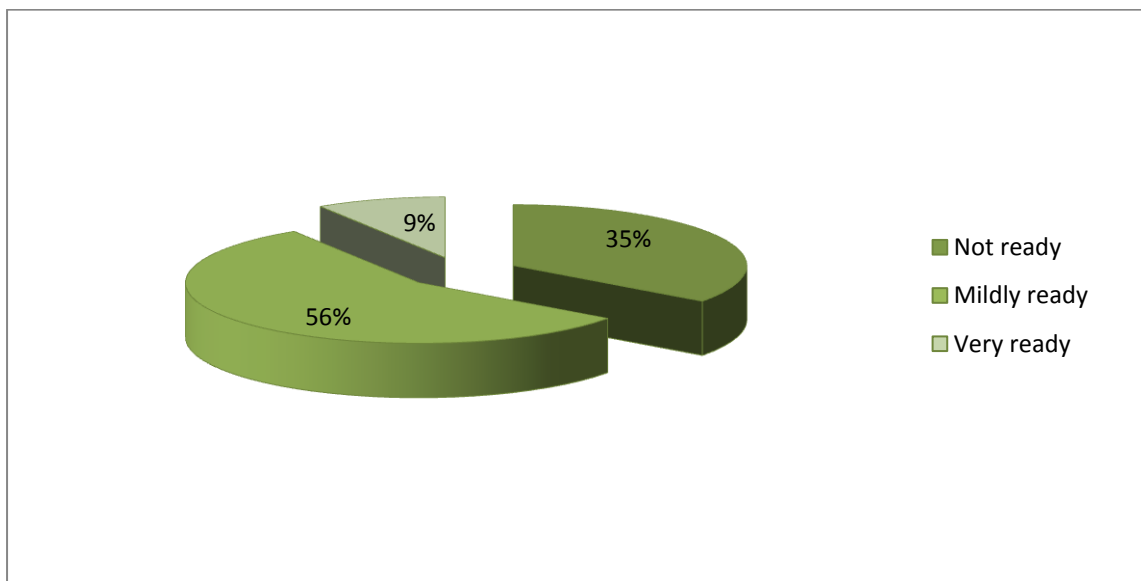


Source: Primary Data

4.12 Readiness for changes in tastes and preferences

SMEs in the agro-processing sector are generally mildly ready to take advantage of changes in tastes and preferences by customers, as indicated by Figure 4.16 above that 56% are mildly ready whilst an additional 35% are not ready at all meaning their operations are rigid and may take time to respond to changes in the market yet the market is very important for the success of any business.

Figure 4.6: Readiness for changes in tastes and preferences



Source: Primary Data

4.13 Factors affecting adoption of strategic management by SMEs in the agro-processing sector

Respondents had different views in terms of the factors that affect adoption of strategic management by agro-processing SMEs. Below is a summary of the results.

Table 4.7 Factors affecting adoption of strategic management by agro-processing SMEs

Factor	Number of respondents
Lack of access to technical knowhow of strategic management.	63
Lack of access to right technology for implementing the desired strategy.	57
Limited education about strategic management.	48
Lack of access to finance for pursuit of the desired strategy	71
Lack of government support for SMEs in general for growth	43
Threat of changes in government policies as a result of too much politicking.	45
Inconsistency in government policies to support business in general.	38
Huge burden of taxes and compliance requirements.	26

Generally, strategy adoption and implementation has been found to be problematic not only for SMEs but also for huge corporations with the result that almost 9 in every 10 companies fail to implement their strategies well. This view is supported by a number of authors for example a White Paper on strategy implementation in Chinese businesses reported a massive 83% failure to smoothly implement strategies of the companies surveyed, whilst a mere 17% indicated that they had a consistent implementation process (Li *et al.*, 2008).

4.14 Factors impeding adoption of strategic management by SMEs

Lack of finance was indicated as the most important factor SMEs in the agro-processing sector are not adopting strategic management followed by lack of access to technical knowhow and the rest as shown by Figure 4.17 above. Also as alluded to in chapter 2, it is noteworthy that the business environment in Zimbabwe is very unstable and unpredictable and the economic state is rather skewed with in some instances supply and demand not matching given the fact that the average manufacturing sector capacity utilisation according to the CZI state of the manufacturing sector survey for 2014 was around 36.3% which leaves

a huge demand gap and therefore a potential for having default growth in SMEs which may probably not be premised upon any strategy.

Furthermore, it is widely recognized that organizational learning is dependent upon practices and routines, as well as patterns of interaction both inside and remote to the firm, as well as the capacity to assemble entity implicit knowledge and encourage interaction. Such learning can therefore be encouraged by way of carefully designing practices, routines and relationships, or through a more flexible, fluid organisation in which individuals are encouraged to create original information and ways of doing things. This is then part of the strategy of the organisation otherwise known as the organisational leaning and innovation strategy. This however, appears to be a major barrier for SMEs as the owners tend to be protective of their business territories as their ideas are usually very young to accept an infusion with foreign ideas.

However, Olatokun and Kebonye (2010) indicate that one of the main reasons for lack of strategic management practices could be lack of internal expertise. Thus, an employee's knowledge of strategic management practices has an effect on an organisations' ability to adopt these practices. The authors state that in keeping with this, many organisations have attempted to delay the adoption of an innovation or new technology until they have acquired sufficient internal expertise. Correspondingly, if employees already know about strategic management practices, then an organisation may be more disposed to adopting them. In addition, managers with strategic management practices knowledge also have an effect on the adoption of strategic management practices within a company, and this also has a positive influence on the degree of company's strategic management practices use.

As alluded to by Mhazo, Mvumi, Nazare and Nyakudya (2003), Zimbabwe is currently going through a critical economic recession. International development assistance to the country has declined in real terms. Given this scenario, it is necessary for Zimbabwe to develop innovative strategies to complement dwindling donor participation in fostering industrial development.

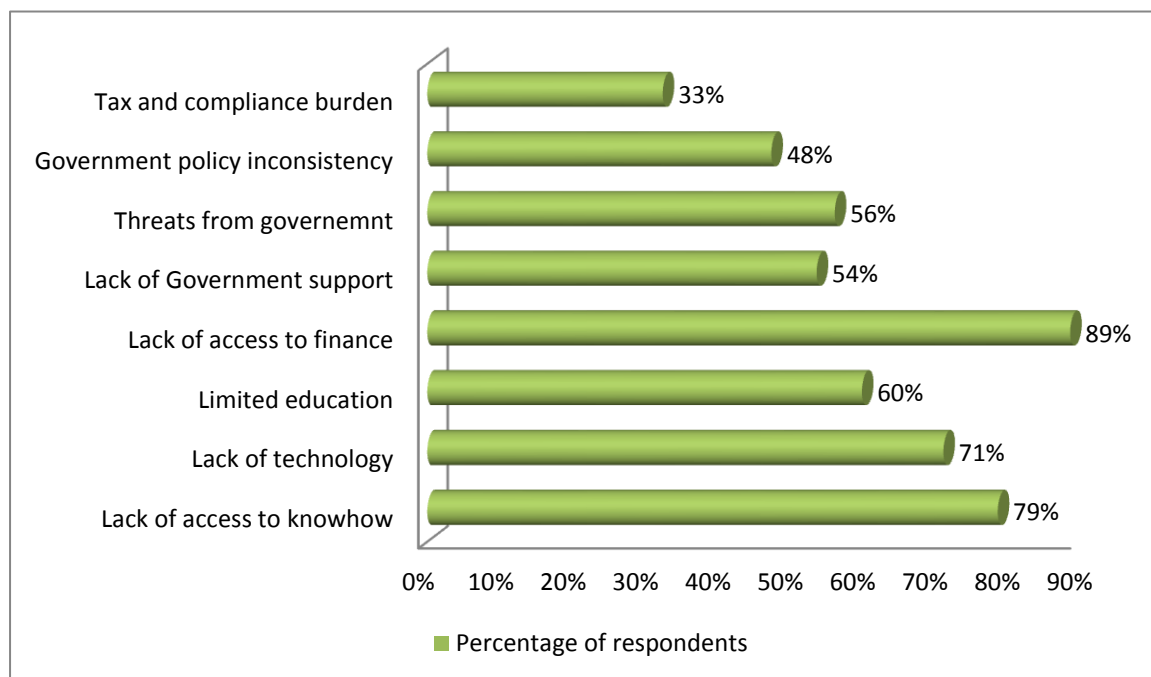
The authors also show that growth of the agro-processing industry is hampered by various constraints that range from equipment supply to problems faced by consumers of the

technologies. In the manufacturing sector, progress is limited by the following general factors which were obtained from the study though they were not part of the study objectives: Difficulties in accessing foreign currency; Reduced demand for equipment as most clients fail to mobilize resources to acquire equipment; Limited transfer of technology from research; Limited access to working capital and high duty and tax on imported raw material and spares. In some cases the government policies on duty and taxes charged on imported equipment discourage local manufacturing. For example industrialists are charged value added tax (VAT) on imported materials used in the manufacturing process yet the finished piece of equipment is sold without VAT making it impossible to recover costs. The manufacturers get frustrated when they pay high duty and taxes on raw materials while the competing finished products are imported at low duty; and The manufacturing sector has also been characterised by poor quality products, especially from the informal sector, as the enforcement of standards has not been effective. The prevalence of substandard equipment on the market at times forces the government to create conditions for importation of high quality products to protect the consumers.

According to Jeffries (2011), in a small economy, there is a limit to how far domestic consumers can provide the engine for growth. Businesses that focus on the domestic market soon find that they reach the limit of market size, at which point growth slows. The potential for growth that is opened up by successful export sales, however, is virtually unlimited. Compared to countries in the SADC region, Mogapi (2010) asserts that internet costs in Zimbabwe are high. The author suggested that the internet has to get cheaper and more accessible for it to help drive business. SMEs are less able to manage the fixed costs involved in assessing and adopting the benefits of investments in new technologies. This could explain the response by business owners that due to inability to access the internet, they are unable to review strategic management practices.

Zimmerer and Scarborough (2008) indicate that some of the benefits of revising strategies are: the opportunity to increase revenues and profits by generating additional sales from new audiences of customers that visit the web site; the ability to expand and reach into global markets; the ability to grow faster; and the power to track sales results. The above should be testimony enough to motivate a higher percentage of strategic management practices use, so that agro-processing SMEs could sustain their business and endeavour to grow to the extent of enhancing the balance of trade by exporting to neighbouring countries.

Figure 4.7: Factors impeding adoption of strategic management by SMEs



Source: Primary Data

4.15 What agro-processing SMEs require to effectively adopt strategic management practices.

According to FAO (1997), challenges facing agro-processing SMEs include, market concentration, which is the ratio for the agro-processing industry and indicates that it is highly concentrated. In most divisions, except wearing apparel and footwear, the largest five enterprises contributed more than 50%. However, the concentration varies widely among subsectors according to the FAO (1997):

4.16 Concentration in agro-processing sector

Although large enterprises in the agro-processing industry contributed a significant share of income and employment, the relative share of SMEs to the total employment is higher, compared to their share of the total income in the industry. Therefore, SMEs have greater potential of generating jobs in the agro-processing industry.

Though few of the challenges facing the SMEs are unique for each division, it can be asserted that lack of access to finance, inadequate skills and inaccessible government support are the most important challenges facing most SMEs across the divisions. Since the potential for

generating more employment is higher for SMEs, a policy intervention to alleviate some of these challenges is critical to realise their full potential and lessen the market concentration.

Table 4.8: Concentration in agro-processing sector

Agro-processing subsector	Concentration
Beverages (alcoholic and non-alcoholic),	80%
Paper,	63%
Manufacturing of carpets, rigs and mats,	77%
Animal feeds, dairy and grain mill,	70-72%
Wood	55%
Textiles	51-56%

4.17 Requirements by SMEs to effectively implement strategic management

Mhazo, Mvumi, Nazare and Nyakudya (2003) offered a number of opportunities in the agro-processing industry development. The authors state that market forces and the prevailing economic environment favour more down-sizing of large-scale processing systems and upgrading small-scale processing industries. This is mainly due to the fact that the demand for raw materials by large-scale manufacturers is currently not being met due to low national production levels hence the enterprises are operating below capacity. This has resulted in scaling down of business, massive staff retrenchments and/or closure of factories

Table 4.9: Requirements by SMEs to effectively implement strategic management

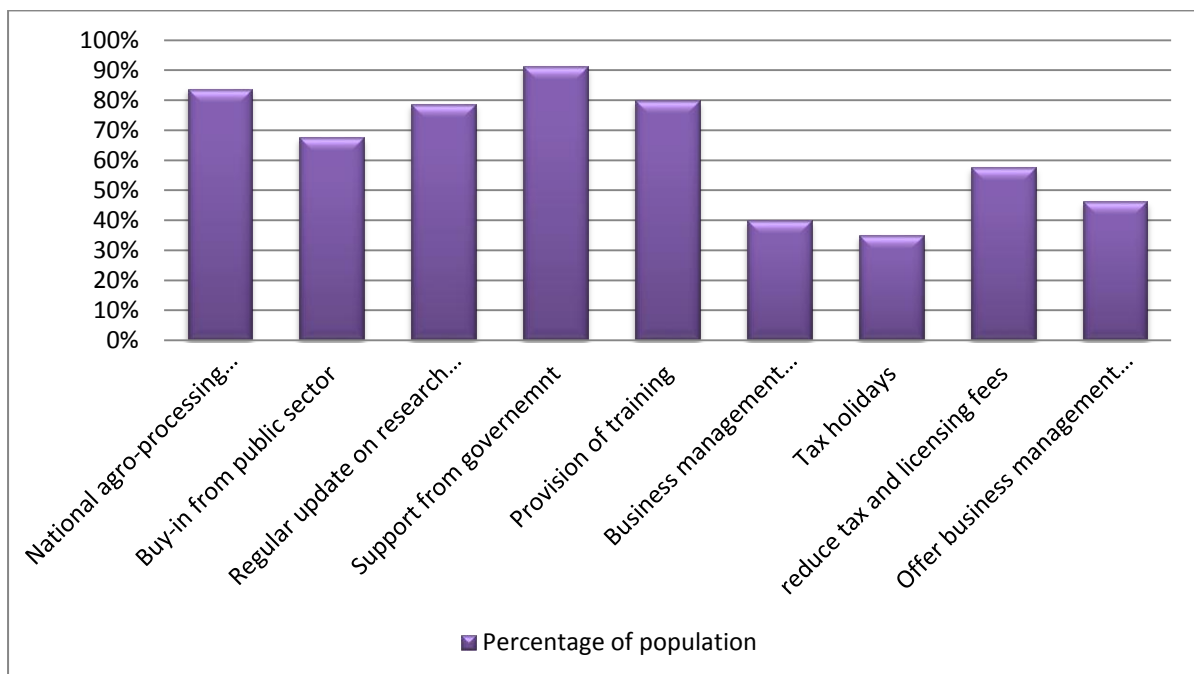
Requirement	Frequency
A national agro-processing strategy to support SMEs	67
To establish buy-in and an agreement with major public sector stakeholders on implementation roles and responsibilities and	54
To provide regular and updated information and research regarding the industry.	63
Support from government through the SEDCO or the Ministry of SMEs	73
Provision of training in management of businesses	64
Offer business management extension services in the same manner as agricultural extension officers in farms.	32

Offer tax holidays for SMEs in order to encourage business growth	28
Reduce tax and licensing requirements	46
Offer business management in every college or university	37

SMEs in the agro-processing sector require government support Figure 4.8. The literature presented also showed that according to Posner (1985), there is a huge misconception about planning in SMEs, where it is believed that real entrepreneurs do not plan but rather use efficiently limited time resources. For SMEs to be able endure and grow calls for some aspects of strategic management, but it has been empirically proven through a number studies that SMEs are involved in strategic planning (Mboko and Hunter-Smith, 2009).

The results derived from the study clearly indicate the necessity to provide support to SMEs in the areas of finance, technological expertise and education on the importance of adopting strategic management practices, if they are to successfully run profitable businesses. Therefore, in order for SMEs in Zimbabwe’s agro-processing sector to improve their performance they ought to engage in these practices.

Figure 4.8: SMEs’ requirements for effective implementation of strategic management



4.18 Chapter Summary

This chapter presented the results, discussion and interpretation of findings that were collected from 80 respondents out of a population of 140. The findings were presented using a mixture of graphs and tables generated from SPSS and Microsoft Excel as well as thematic tables. The researcher has sought to meet the objectives of the study by connecting the link between the empirical study and the literature review. The findings point to the fact that agro-processing enterprises play a vital role in the national economic development of Zimbabwe. Yet, they do not receive due attention from the government and related stakeholders. The conclusions and recommendations follow in Chapter 5 and demonstrate how the researcher has attempted to answer fully the research questions.

CHAPTER 5

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The previous chapter has presented analysed and discussed findings obtained from the research and this chapter gives the conclusions drawn from the study pertaining to the objectives and recommends what SMEs in the agro-processing sector ought to do in order to capitalise on strategic management so that they can enhance their performances and success in terms of increasing their revenue and as a result grow their businesses to newer and higher levels. These conclusions are based upon the findings obtained from the study, makes conclusions based on the data collected, analysed and discussed in the previous chapter. After conclusions have been made, recommendations are then made to the SMEs in the agro-processing sector as well as to SMEs in other sectors which may find the results of this study useful. Lastly, areas and strategies for further study on the same problem of strategic management by SMEs are given based on the challenges encountered in the current study.

5.1 Summary of key findings

The findings of this study reviewed that the majority of SMEs in the agro-processing are not making use of strategic management practices since results of the study as shown in Figure 4.9 indicated that only 36% of respondents indicated that their organisations were making use of had long-term plans in plans in place, whilst the rest 64% had no strategies and long-term plans in place. SMEs in the agro-processing sector are unable to take advantage of resources like, physical resources, financial resources, and human resources as indicated by statistics shown in Table 4.1, since they do not have long-term plans in place. As a result of the lack of formal plans agro-processing SMEs were unable to take advantage of their business' location, product variety, product uniqueness, low production costs and the availability of a ready market for their products in Zimbabwe as shown by Table 4.1. SMEs in the agro-processing sector were found to be very pessimistic as they indicated that all the factors which surprisingly they are not able to take advantage of have a strong effect on their business operations as shown by Table 4.2. Instead of being that pessimistic they are supposed to have plans which show their optimism and confidence in the future prospects for their businesses.

Agro-processing SMEs are highly susceptible to a variety of threats such as conditions set by suppliers or customers, threats of completion from current and potential competitors, threat of substitute products, as well as threats from technology and legal factors, as shown in Table 4.3.

Both owners and managers of agro-processing SMEs cited a number of challenges responsible for their inability to adopt or implement strategies in their business operations as shown in Table 4.5, therefore, adoption of strategic management were found to be a challenge for the majority of these SMEs. There is need to educate SMEs and their management on the benefits of strategic management as it was found that one of the factors impeding adoption of strategic management include lack of knowledge of the benefits of strategic management.

Agro-processing SMEs need training and knowledge support in order for their businesses to grow and some of the other requirements which supports the adoption of strategic management by SMEs in general. Agro-processing SMEs are heavily burdened by legal and taxation requirements such as the requirements to pay their taxes in advance when their businesses do not have properly structured departments or organisational structure to allow for having support services like accountants in their operations.

5.2 Conclusion

From the findings, it can be concluded that SMEs in the agro-processing sector are unable to analyse their environment so that they can they can capitalise of their strengths like physical resources, human resources and the right skills as well as taking advantage of opportunities in the market like availability of a ready market for agro-based products as well the increase in their customer base in Harare as a result of internal relocations from rural areas to the capital city in order to maximise their business potential. At the same time these SMEs are unable to minimise the impact of their weaknesses such as lack of financial, human, physical resources and the lack of product variety at the same time minimising threats such as changes in customer tastes and preferences as well as the competition threats. SMEs in the agro-processing sector do lack support from government in the form of financial resources, supportive legal frameworks as well as having the right tax framework and or benefits for SMEs. SMEs in the agro-processing sectors are not receiving support from the authorities like city councils who have heavy licensing requirements which makes it impossible for these

businesses to save resources internally towards investment in the growth of their business and this has resulted in the SMEs resorting to external sources of financing which is expensive.

5.3 Recommendations

Given the findings obtained from the study and conclusions drawn above from the study the researcher makes the following recommendations to all the stakeholders in the agro-processing sector in Zimbabwe, especially SMEs and other potential beneficiaries from the study as discussed in chapter 1. There is need for widespread training of entrepreneurs of SMEs in the agro-processing sector to ensure they have the required skills to plan and implement the set plans especially long-term plans and strategies. The training should cover aspects like environmental scanning, SWOT analysis and the requirements for effectively planning and implementation of the plans.

Local and central government should support SMEs operating in their jurisdiction so that the costs of compliance to legal and by-law requirements becomes reasonable so that entrepreneurs are encouraged to get into formal businesses. This is based upon comments offered by a number of SMEs on the factors which support their adoption of strategic management. Examples of the challenges which need support from these authorities include city council requirements for licensing and yet they do not get any benefits from these payments. There is need to ensure licensing fees are affordable to the business especially after taking regard of the size and nature of business of these SMEs.

Entrepreneurs should make the initiative to obtain some form of business management skills from colleges and universities offering training especially if the entrepreneurs do not any form of business related skills or training, this enhances their survival. If they cannot get the training then they should hire relevantly skilled personnel so that they can offer these skills for the benefit of the SMEs

Universities and colleges should make the study of business management compulsory, given the fact that majority of graduates usually end up in business rather than being employed all graduates should have an appreciation of management in general and specifically strategic management since business success is highly dependent upon the adoption and implementation of strategies effectively.

5.4 Further study

The study was conducted under a number of constraints which included time the findings of this study are not conclusive enough in terms adoption of strategic management by SMEs. The study focused on SME registered with the SMEAZ membership to which is voluntary and therefore the population had eliminated a number of SMEs from the sampling frame. A study which focuses on SMEs which are not only registered with the SMEAZ should be conducted using a bigger sample size and ensure that the response rate is also improved. A quantitative study should be conducted focusing on the factors affecting or impeding the adoption of strategic management by the SMEs should be conducted.

REFERENCES

- Andrews, K A (1987) *The Concept of Corporate Strategy*, Irwin, Georgetown, Ontario.
- Ansoff, H.I. (1991). Critique of Mintzberg's 'the Design School: Reconsidering the Basic Premises of Strategic Management', *Strategic Management Journal*, Vol. 12 (6), p. 449-461.
- Beaver, G. (2007). The strategy payoff for smaller enterprises, *The Journal of Business Strategy*, 28(1), 11-19.
- Cyert, R M and March, J G (1963) *A Behavioural Theory of the Firm*, Prentice-Hall, Englewood Cliffs, NJ
- Dauda Yunus Adeleke, Akingbade Waidi Adeniyi & Akinlabi Hamed Babatunde (2010), Strategic Management Practice and Corporate Performance of Selected Small Business Enterprises in Lagos Metropolis.
- Fredrickson, J. W., & Mitchell, T. R. 1984. Strategic decision processes: Comprehensiveness and performance in an industry with an unstable environment. *Academy of Management Journal*, 27: 399–423.
- Hannan, M.T., & Freeman, J. (1984). Structural inertia and organizational change, *American Sociological Review*, Vol. 49, p. 149-164.
- Johnson, G. (1988). Rethinking Incrementalism, *Strategic Management Journal*, January/February 1988 issue.
- Joyce, P. & Woods, A. (2003), Managing for growth: decision making, planning, and making changes, *Journal of Small Business and Enterprise Development*, 10 (2) 2003 pp. 144-151
- Lancaster Geoff (2005), *Research Methods in Management A concise introduction to research in management and business consultancy*
- Leedy, P.D. and Omrod, J.E. (2010). *Practical Research, Planning and Design. 9th Edition*. New Jersey, Pearson Educational International and Prentice Hall.
- Lindblom, C. 1959. The science of "muddling through." *Public Administration Review*, 19(2): 79–88.
- Kutllovci Enver, Venet Shala & Burim Troni (2012), Business Strategy, the key determinants of SME growth in Kosovo, *International Journal of Advances in Management and Economics*
- Manyani O, Hove N., Mudzura M. & Chiriseri L. (2014), An investigation into venture financing. A case study on small to medium scale enterprises in Bindura urban, Zimbabwe. (2013-2014). *Elite Research Journal of Accounting and Business Management* Vol. 2(2) pp. 10 – 25

Meers, K.A., & Robertson, C. (2007), „Strategic Planning Practices in Profitable Small Firms in the United States“, *The Business Review*, Cambridge, Hollywood, Summer 2007 Vol 7 Iss1; pp. 302-308

Nickols, Frederick W. (2011), “Training: a strategic view.” *NSPI Journal*.

Porter ME (2005) Towards a dynamic theory of strategy. *Strategic Management Journal*.

Porter, M.E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: The Free Press.

Porter, M.E. (1987). From competitive advantage to corporate strategy, *The McKinsey Quarterly*, spring 1988, p. 35-66.

Porter, M.E. (1990). *The Competitive Advantage of Nations*, The Free Press: A Division of Macmillan, Inc., New York.

Porter, M.E. (1996). What is Strategy?, *Harvard Business Review*, November-December 1996, p. 61-78.

Perrow, C. (1967). A framework for the comparative analysis of organizations, *American Sociological Review*, 32, p. 194-208.

Quinn, J. B. 1980. Strategies for change: Logical incrementalism. Homewood, IL: Irwin.

Thompson, AA and Strickland, A J (1990) *Strategic Management: Concepts and cases*, Irwin, Georgetown, Ontario

Weick, K. 1969. The social psychology of organizing. Reading, MA: Addison-Wesley.

Shah, A.M., (2005). The foundation of successful strategy implementation: Overcoming the obstacles. *Global Business Review*, 6(2): 293-307.

Speculand, R., (2009). Six necessary mind shifts for implementing strategy. *Business Strategy Series*, 10(3) 167-172.

Variyam, J. N., & Kraybill, D., (2001) Small firms’ choice of business strategies, Cooperative State Research Services, US Department of Agriculture. *Southern Economic Journal*, 60(1) 136-145.

Speculand, R., (2009). Six necessary mind shifts for implementing strategy. *Business Strategy Series*, 10(3) 167-172.

Li, Y., Gouhui, S., & Eppler, M. J., (2008). Making strategy work: A literature review of factors influencing strategy implementation. ICA Working Paper 2/2008, *Institute of Corporate Communication*, Univesita della Svizzera Italiana.

Meldrum, M., & Atkinson, S. (1998). Meta-abilities and the implementation of strategy: Knowing what to do is simply not enough. *Journal of Management Development*, 17(8), 564 – 575.

- Bellaaj, M., Bernard, P., Pecquet, P. and Plaisent, M. (2008). Organisational, environmental, and technological factors relating to benefits of website adoption. *International Journal of Global Business*, 1 (1), p. 44-64.
- Food Agricultural organisation (1997). Agro-processing: The Status of the Agro-processing Industry in South Africa
- Filiatrault, P. and Huy, L. (2006). *The Adoption of E-commerce in SMEs in Vietnam: A Study of Users and Prospectors*. HKTDC.
- Jeffries, K. (2011). Wither the Botswana Economy? Part II. *Sunday Standard*, Gaborone, Sunday, 01 May, p.8.
- Laudon, K. and Laudon, J.P. (2004). *Management Information Systems: Managing the digital firm*. 8th Edition. Prentice Hall.
- Lertwongsatien, C. and Wongpinunwatana, N. (2003). E-commerce adoption in Thailand: An empirical study of small and medium enterprises (SMEs). *Journal of Global Technology Management*, 6 (3), p. 67-83.
- Mhazo, N., Hanyani-Mlambo, B.T., Proctor, S., Mupanda, K. and Nazare, R. 2003. Constraints to Small-Scale Production and Marketing of Processed Food Products in Zimbabwe: The Case of Fruits and Vegetables. Paper presented at the Food Africa International Working Meeting, 5-9 May 2003, Palais des Congrès, Yaounde, Cameroon.
- Mogapi, S. (2010). Dr Jeffries prescribes a bitter dose for economic diversification. *Sunday Standard*, Gaborone, Sunday, 31 October, p.11.
- Olatokun, W. and Kebonye, M. (2010). E-commerce Technology Adoption by SMEs in Botswana (Abstract). *International Journal of Emerging Technologies and Society*, 8(1):42-56
- Premkumar, G. and Roberts, M. (1999). Adoption of new information technologies in rural small businesses. *The International Journal of Management Science*, 27 (2), p. 467-484.
- Zimmerer, T. W. and Scarborough, N.M. (2008). *Essentials of Entrepreneurship and Small Business Management*. 5th Edition. PHI Learning.

APPENDICES

APPENDIX 1: QUESTIONNAIRE

UNIVERSITY OF ZIMBABWE



FACULTY OF COMMERCE

GRADUATE SCHOOL OF MANAGEMENT

STRATEGIC MANAGEMENT PRACTICES IN AGRO-PROCESSING SMEs: CASE OF HARARE SMEs

BY

MASHANGANA WILLIAM

QUESTIONNAIRE

Introduction

My name is William Mashangana; I am studying for a Masters degree in Business Administration at the University of Zimbabwe. I am carrying out a research titled, “**Strategic management practices in agro-processing SMEs: Case of Harare SMEs.**” This research is purely for academic purposes and the information obtained will be treated with utter most confidentiality. I therefore, kindly request that you assist by completing this questionnaire.

Part A: General and demographic information

Fill in the blank spaces provided or please tick (✓) the box that corresponds to your response where applicable.

1. Form of business of your company: PBC Pvt Ltd Partnership
2. Position held: Owner Manager Owner/Manager Supervisor
3. Gender: Female Male



4. Age: Below 30 31 to 40 41 to 50 above 50
5. Respondent's highest level of education:
 Primary Secondary Certificate/Diploma Degree or Higher
6. How long has the business been in operation?
 Up to 1year 1 to 5years 6 to 10 years over 10 years
7. Number of full-time paid employees:
 0 to 5 6 to 40 41 to 75 over 75
8. Annual total turnover in US\$:
 Up to 30,000 30,001 to 500,000 500,001 to 1 million above 1million

Part B: Nature of strategic management practices

9. Does your company have formal long-term plans and strategies? Yes No
10. How does your business take advantage of the following factors in comparison to competitors (*Tick the appropriate box*)?

	Low effect	Mild effect	Strong effect
Physical resources like equipment/machines			
Financial resources			
Human resources			
Right skills			
Business location			
Product variety that you offer			
Product uniqueness			
Low production costs			
Availability of a ready and loyal market			

11. How do the following factors disadvantage your firm compared to your competitors? (*Tick the appropriate box*)

	Low effect	Mild effect	Strong effect
Lack of physical resources like equipment			
Insufficient financial resources			
Lack of human resources			
Absence of the right skills			
Poor business location			
Lack of product diversification			
Lack of unique products			
High production costs			
Absence of a ready and loyal market			

12. How strong are the following threats to your business? (*Tick the appropriate box*)

	Low threat	Mild threat	Huge threat
Creditors/Suppliers actions and conditions			
Customers change of tastes and preferences			
Labour organisations/regulations			
Rivalry from existing competitors			
Threat of new competitors			
Conditions set by suppliers			
Substitute products			
Government policies- Government stability, taxation, projects			
Economic considerations- High interest rates, inflation, unemployment, short business cycles			
Environmental considerations - Environmental laws, waste disposal			
Technology- Cost of technology, Lack of relevant technology			
Social factors -Income distribution, lifestyles, education levels			
Legal Factors- City council by-laws, Acts from parliament.			

13. How ready is your business to take advantage of the following opportunities in the market?
(Tick the appropriate box)

	Not ready	Mildly ready	Very ready
Changing customer tastes and preferences			
Increase in customer base			
First mover advantages			
Favourable economic prospects			
Favourable political prospects			

14. What strategies do you commonly use to ensure the business survives and grows?.....
.....

15. How often do you review your strategies?.....

16. What are the five key factors which have affected your adoption of strategic management?

- a.
- b.
- c.
- d.
- e.

17. What has been influencing your choice of strategy?.....
.....

18. In your opinion is strategic (long-term) management necessary for the survival of businesses in your sector?.....

19. What requirements do you consider necessary for the adoption of strategic management by organisations in the agro-processing sector especially SMEs?

.....
.....

Thank you for your time!