THE JOURNEY TOWARDS PRODUCTIVE ENTREPRENEURSHIP: A THEORETICAL REVIEW OF THE ENTREPRENEURIAL LANDSCAPE IN ZIMBABWE

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Abstract
The considerable interest that has been developed in the financial world and academia in general on the topic of small firms and emerging businesses or simply put entrepreneurship cannot be underestimated. It is compelling to do an analysis on the situation obtaining in Zimbabwe regarding entrepreneurship and the systemic factors that stimulate its development. Inspired by the work of William Baumol in 1990 and later 1996, this paper unravel the nature of entrepreneurship prevailing in Zimbabwe and concludes that more of unproductive and destructive entrepreneurship is taking place. Using theoretical views from literature, media fraternity, non governmental bodies and researchers the entrepreneurial landscape is discussed followed by policy recommendations for the government and even entrepreneurs to husband efforts to create sustainable and desirable productive entrepreneurship.

Keywords: Entrepreneurship, productive and unproductive entrepreneurship

INTRODUCTION
An enquiry into the nature of entrepreneurship prevailing in Zimbabwe is inevitable because the country’s economy has been hamstrung by myriad of challenges and her people consider entrepreneurship as a source of survival. Statistics from the Ministry of Small and Medium Enterprises and Co-operatives Development from a survey conducted in 2012 revealed that there are around 2.8 million micro, small and medium sized businesses in Zimbabwe employing in excess of 5.7 million people. Considering that the country has a population of just 13 million these figures look fictitious and inflated albeit the majority of people are still living in poverty.

It is worrisome to note that the above mentioned seemingly success stories in entrepreneurship cannot jump start the economy. The question that arises is that are those SMEs real entrepreneurs or not. The Schumpeterian view of entrepreneurship is that it “spurs innovation, speed up structural changes in the economy, introduce new competition and create jobs” (GEM report 2013:16). In reference to Joseph Schumpeter’s view Fredreic Sautet’s
charged that ‘The Schumpeterian view that entrepreneurship is a major engine of economic growth has not been shown empirically for developing countries’. Sautet (2013: 390). Sautet’s argument is validated by Baumol (1990, 1996) who argued that mere presence of entrepreneurship in a society does not guarantee economic prosperity and development as the entrepreneur is ubiquitously present in almost all societies with varied effects on development. Since Zimbabwe is a developing country perhaps Sautet and Baumol assertions are somewhat true. In the next section a brief background of the country under review is given.

The Republic of Zimbabwe is a landlocked country located in Southern Africa and is bordered by South Africa to the south, Zambia to the north, Mozambique to the east and Botswana to the west. Its size is 390 757 square kilometres with approximately 1% of its surface area being water. According to ZIMSTAT in 2012 the population stood at 13 061 239. Formerly known as Rhodesia, Zimbabwe is a former colony of Great Britain and gained independence in 1980. English remains the official business language with Shona and Ndebele being the dominant other languages in use. Zimbabwe has an adult literacy rate of approximately 97% one of the highest in Africa. Between 1980 and 2000 Zimbabwe enjoyed accelerated economic growth and this slowed and later culminated in serious economic crisis evidenced by unprecedented inflation levels. The local currency was later abandoned in 2009 with the adoption of multi currency system popularly known as dollarization. The economy is mainly driven by agriculture, mining, tourism and manufacturing. The manufacturing sector is grappling with low capacity utilisation, obsolete machinery and stiff competition from cheap imports mainly from China. Chinese products became popular in Zimbabwe because they are lowly priced and that Zimbabwean authorities are enjoying cordial relations with Asian countries after the government’s look east policy to counter differences with European and American countries. According to ZIMSTAT broad unemployment is around 11%, Luebker (2008) even project it to be below 10%. Because of lack of formal jobs many Zimbabweans are involved in informal employment. Despite this the World Bank estimates that about 70% of Zimbabweans live in poverty. This paper argue that if there are deliberate policy interventions perhaps the current unproductive informal entrepreneurship can be transformed to productive or more enriching productive entrepreneurship.

ENTREPRENURSHIP & COMPLEXITY IN DEFINING IT

Entrepreneurship is one of the problematic and complex terms to define. Outcalt (2000) concurs with this assertion and points that entrepreneurship lacks a universal language. Joseph Schumpeter who is undoubtedly one of the most prominent authorities on the subject to live on planet earth define it as the “the assumption of risk and responsibility on designing and implementing business strategy or starting a business” (Schumpeter, 1911). Klapper, Amit and
Guillén (2010 pg 3) define entrepreneurship as “the activities of an individual or a group aimed at initiating economic activities in the formal sector under a legal form of business”. This definition deliberately left the informal sector enterprises whose data is elusive and unreliable. If we are to apply this definition to the Zimbabwean context we will be left with very few enterprises to talk about as these informal businesses constitute the bulk of businesses employing in excess of 5.7 million people including owners (Finscope 2012).

In this paper entrepreneurship is defined as ‘any action by groups of people, communities or individuals in engaging in business activities either formally or informally to make a profit.’ This simple definition of entrepreneurship is inclusive of formal businesses and informal (shadow) entities. The simplistic definition deliberately avoids the contentious issue of innovative entrepreneurship which seeks to bring new ideas of production, new ways of doing business, new product or service design, identification of new markets and creation of the same as well as technological pioneering. In my view anyone who puts ideas into motion and starts a business is innovative and qualifies to be an entrepreneur.

PRODUCTIVE AND UNPRODUCTIVE ENTREPRENEURSHIP

William Baumol have advocated for the dichotomization of entrepreneurial activities into productive and unproductive or destructive categories (Baumol 1990,1996). Researchers Douhran and Henrekson (2010) challenged the simplistic dissection of entrepreneurship into the mentioned categories. Despite the criticism of Baumol’s work I argue that the dichotomisation it a necessary step in evaluating the nature of entrepreneurship obtaining in a given country. With reference to the case of Zimbabwe it would imply that the country is experiencing more of unproductive or destructive entrepreneurship which is detrimental to society but rewarding in the short term to the ‘entrepreneurs’ concerned. Theft or fraud and tax evasion are some of the vices synonymous with unproductive entrepreneurship. However it is an undisputable fact that although some entrepreneurs are relegated to the unproductive side the activities they engage in contribute immensely to their own survival and stimulate some demand for local products and increase aggregate consumption.

One might argue that most of the Zimbabwean business owners are merely subsistence entrepreneurs. This is because they are in the business for themselves and have no regard for investment, creation of jobs, building sustainable enterprises, paying taxes and eradicate poverty in the country and beyond. At this juncture it can be concluded that whereas entrepreneurship is evident in Zimbabwe and other developing nations its impact on the economic growth in questionable. Galor and Michalopoulus (2006) proved that disparities in economic growth between developed or advanced and less developed countries can be narrowed by entrepreneurial activities.
The desired objective is to transform subsistence entrepreneurship or what other authors refer to as local entrepreneurship Sautet (2013) to a more socially developing and enriching systemic entrepreneurship. This is entrepreneurship that goes beyond the confines of a certain area, that seeks linkages with other partners elsewhere, that moves from informal relationship to formal relationship and therefore able to change lives through sustainable employment and ultimately propel economic growth.

This paper seeks to explore and highlight the specific factors that inhibit or stimulate entrepreneurial development in Zimbabwe. In this paper I seek to prove that most of Zimbabwean entrepreneurs fall under William Baumol’s unproductive category. Through government intervention and entrepreneurial support it is possible to achieve productive entrepreneurship. Factors that affect include education, finance, and formalisation of businesses. Many authors concur that these factors can lead to innovative and sustainable entrepreneurship. Past researchers King and McGrath (2002); Isaacs et al. (2007) and Chimucheka (2013) are of the opinion that better entrepreneurship education can contribute significantly to enterprise creation and poverty reduction. It is undoubtedly true that lack of financial capital inhibits growth of entrepreneurial firms and has been a cause of subsistence entrepreneurship in Zimbabwe and in many developing countries.

The policy of indigenisation thought it might seem a hindrance to new firm creation and foreign direct investment provides an opportunity for indigenous people to create linkages with foreign entrepreneurs to establish sustainable businesses in lucrative sectors of the economy. This paper seeks to offer ways that the Zimbabwean government and other developing nations can do to increase productive entrepreneurial activities.

**SIGNS OF UNPRODUCTIVE ENTREPRENEURSHIP**

**a) Informal Sector or Shadow Economy**

Informal businesses contribute immensely to GDP growth in developing countries for example 75% contribution Nigeria but low in developed nations 10% in USA (Schneider and Enste 2000). Basing on the results of the Finscope (2012) survey most Zimbabwean entrepreneurs are informal traders who are mostly found in artisanal engineering, mining, vegetable and fruit vending, cross border trading and agriculture. Characteristics of informal businesses:

- Not registered with the registrar of companies.
- Financial exclusion. The Zimbabwean economy has been suffering from severe liquidity and capital constraints and informal traders have exacerbated the situation by not banking the money estimated to be around 7 billion United States dollars circulating in the informal sector (Murwira 2014 April 4). Because of the risky nature of the informal
traders it becomes a mammoth task to attract funding from banks and even micro lending institutions.

- Operate in make shift workstations, from homes or at their backyards, shared apartments and on the streets.
- Informal traders do not pay taxes or remit revenue to the central government. The Herald newspaper quoted the Zimbabwe Revenue Authority Commissioner-General Gershem Pasi who said that the revenue collection organisation was working on a cocktail of measures to ensure that informal entrepreneurs paid taxes in the future and contribute to economic growth (Matambanadzo 2014 15 April). Tax evasion is a cancerous scourge that any serious government must address. Any business organisation making huge profits by cheating the exchequer by circumventing the tax laws will also be against ethics of social responsibility of the business, according to Brenner and Molender (1997).
- Employees are not registered with the National Social Security for social pension and accident insurance. This creates a headache for government when it comes to planning.
- Informal entrepreneurship provides modest contribution to poverty alleviation (40% of informal business owners earn less than US$ 200 per month according to the Finscope report). This scenario supports Baumol’s assertions that mere presence of entrepreneurial growth does not result in economic success.

There is therefore need to provide the necessary policy and infrastructure to encourage or to motivate these shadow economic players to be formal.

b) Registered informal businesses
Mere registration of a business entity does not guarantee formality in operations. Wild (1997) observed most black entrepreneurs did not have formal structures and did not practice corporate governance. Shumba, Manzini and Ndlovu (2014) observed that companies that operated informally did not experience high performance levels and growth. Under declaring profits for tax purposes, nepotism, unprofessional conduct by owners use of relatives and lack of audits expose entrepreneurs to risk and is another sign of unproductive entrepreneurship.

c) Black market activities
There are a plethora of terms used to describe black market activities that include shadow, hidden, clandestine, parallel or even syndicates. Black market can even involve millions of dollars done illegally. Famous are the notorious drug cartels though not popular in Zimbabwe. Black market activities evident in Zimbabwe include gold panning, 'bureau de change' or
currency exchange, wood poaching and selling, fuel supplies, sale of pirated Compact Disks (CDs) and DVDs and prostitution. The emergence of these parallel economic activities is another sign of unproductive entrepreneurship. It should be noted that the entrepreneur is not solely to blame in this scenario sometimes conditions prevailing in the market will force them to resort to illegal practices. As an example it was reported in the Herald Newspaper of 23 May 2014 that Tobacco farmers were side marketing their crop to shun low prices offered by contract buyers at the auction floors. Entrepreneurs that operate illegally are quite elusive and difficult to trace and apprehend, when asked about how they make their money they simply say in Shona they ‘kiya kiya’ (meaning they jump from one deal to the other to make a living). This kiya kiya approach to entrepreneurship is certainly unproductive and detrimental to society.

d) Survivalist entrepreneurship
Galor and Michalopoulos (2012) proposed a Darwinian evolution of entrepreneurial spirit and concluded that in the early stages of development risk tolerant entrepreneurial traits in societies accelerated economic growth and technological advancement. Later on through what they termed ‘natural selection’ risk averse entrepreneurs seek to reduce their risk and formalize their entities leading to emergence of formal businesses. In the Zimbabwean context one might argue that prior to independence the emergence of the black entrepreneur as mentioned by Wild (1997) was because of risk tolerant nature of the black businesspersons. Today most of the entrepreneurs have resorted to ‘survivalist businesses as a buffer against slipping deeper into poverty, reducing individual and household vulnerability (Finscope 2012 pg 2). It means that emerging entrepreneurs have been forced into business by circumstances. Despite the old saying that says necessity is the mother of invention this kind of entrepreneurship unless complemented by Government support will not transform the country from stagnation to growth. It is my resolve that survivalist entrepreneurship will not offer long term solutions to the country’s economic problems.

e) Parasitic entrepreneurs
The government of Zimbabwe has tried to address problems that informal businesses present (Zindiye, Chiliya and Masocha 2012). During the economic meltdown indigenous farmers were given free inputs and farming equipment by the Central Bank, however the farmers continued to complain and have tendencies to approach and take a begging bowl to the authorities. Any serious entrepreneur must seeks synergies with other players, the government’s role is facilitation and creating an enabling environment to conduct business.
f) Rent seeking behaviour
Rent seeking is a term coined by Anne Osborn Krueger in 1974 (Wikipedia) to refer to selfish behaviour. Corruption and unnecessary lobbying of the state to protect certain industries are good examples of this practice.

g) Opportunistic entrepreneurship
A number of emerging entrepreneurs are not in business because of the passion they have in what they do but will seek opportunities that arise and do the loot and go attitude. In this instance they will be on the lookout for whatever will bring money home regardless of the legality of such ventures. Symptomatic to this behaviour is movement from one venture to the other without regard for the environment, the people that work in those industries and the environment. It is important to note whereas productive entrepreneurship benefits the state, citizens and entrepreneur this type of behaviour only enriches the entrepreneur.

h) Less innovative and more replicative entrepreneurship
The entrepreneurship definition that I proposed earlier provides no distinction between innovative and ‘replicative’ entrepreneurship. I do not totally believe in Peter Drucker’s assertion when he wrote that not every business that is started is entrepreneurial (Drucker, 1985). As I have already argued, starting a business is sufficient enough to be called an entrepreneur. The problem arises when the majority of new start-ups are mere copycats or replicates of the current ones. Wild (1997) noted this when he pointed out that black entrepreneurs concentrated on similar businesses in the transport, retail, building and construction sectors. A balanced society must endeavour to produce a myriad of business types who will offer unique value to the public.

The current scenario prevailing in Zimbabwe where all informal traders do similar businesses does not offer an immediate cure to the economic problems but simply exacerbate it. There is nothing wrong though in taking good ideas from other entrepreneurs but where ‘replicative’ entrepreneurship is the order of the day then it becomes unproductive.

IMPEDIMENTS TO FORMALIZATION OF BUSINESSES

i. Ease of doing business in Zimbabwe
The World Bank sponsored report, Doing Business (2014) ranks Zimbabwe 170th out of 189 countries in the world below the regional average of 142 trailing behind South Africa, Botswana, Namibia, Swaziland and Lesotho. Zimbabwe has also been ranked lowly on business condition factors like enforcing contracts, trading borders, paying taxes, getting credit, registering property, getting electricity and dealing with construction permits. The report further state that about USD600.00 is needed to cover licence and tax fees to start a formal business.
The bureaucratic, energy usurping and frustrating effort of formally registering a business must be urgently addressed with a view of encouraging local and foreign entrepreneurs to start their business in earnest. The procedures and costs of registering a business must be in tandem with the capital to be injected in that business. Though the Zimbabwean government initiated deliberate programs like ZIMASSET and other policy initiatives there is need to review the burdensome regulations, high marginal tax rates so that many informal businesses come out of the shadows to join the formal sector.

ii. Capital or Financial constraints
Many authors undoubtedly concur that lack of capital is one major setback in new ventures as well as the existing ones (Zindiye et al 2012, Finscope 2012 and Chimucheka 2013) Failure to have adequate capital causes many entrepreneurs to remain informal and small.

iii. Lack of incentives in formalising businesses
The movement towards productive entrepreneurship can be aided by formalising business operations. However it is unfortunate that in some societies there are just no incentives for one to operate in the open market and not in the shadows. The disadvantages of doing business
formally might outweigh the benefits of being in the shadow. In such a scenario the best option will be to remain an informal entrepreneur. The Southern Eye of 1 December 2013 quoted the Minister of Small and Medium Enterprises and Co-operative Development Enterprises Sithembiso Nyoni saying ‘There are numerous opportunities you can realise as a formal enterprise, for example, getting market access through tenders, accessing finance, peace with regulatory authorities and recognition and so on’. Despite these and other benefits millions still operate informally because these incentives are not good enough.

iv. Fear of going under the spotlight
Small business owners have an inherent fear of being on the spotlight. One illegal taxi operator in Bulawayo said that he preferred working alone and away from the troubles by the Vehicle Inspection Department thorough constant checks, Zimbabwe Revenue Authority for tax, Employees associations who demand minimum wage for the drivers and other regulatory bodies.

RECOMMENDATIONS
Recommendations given have been targeted at the major players in the entrepreneurial ecosystem that are Government and the entrepreneurs themselves.

For The Government
The Government of Zimbabwe has put in place programs and policies to encourage venture creation and support business start-ups. Through the Ministry of Small and Medium Enterprises and Co-operative Development, SMEs have been given loans through the Small Enterprises Development Cooperation. The Ministry of Youth also disbursed loans under the Youth Fund to help stimulate entrepreneurship development. Despite these and other efforts elements of unproductive entrepreneurship are still stubbornly evident. The state must therefore redirect its efforts towards creating an enabling environment for productive entrepreneurship to thrive through the following initiatives:

1. The Zimbabwean government must work diligently to reduce the burdensome and expensive registration (of companies) procedures currently frustrating potential formal businesses players to register their entities. Since there has been groundwork done to assess the entrepreneurial landscape in the country efforts must be made to increase the country ranking (from the current 170 out of 189) to attract local and international investors to establish viable businesses in the country.

2. Swift processing of licenses and permits through decentralizing this role to reduce pressure from the central offices in Harare. Empowering and capacitating local
authorities to issue and process trading licences as well as register companies on behalf of central government.

3. Reduce direct financial support to few selected entrepreneurs. Researchers have advocated for the government to play a role in giving grants as well as soft loans to small businesses (Ernst and Young Report, 2012; Zindiye et al (2012); Thaddeus 2012). Indeed successes attributable to government intervention have been recorded in Singapore, United Arab Emirate and Israel. Despite the upside potential of this intervention there have been ‘dozens, even hundreds, of disappointments, where substantial public expenditures bore no fruit’ (Lerner 2009 pg 5). As has already been pointed out the tendency by the government to assume the lending role can breed parasitic entrepreneurs. Government by their bureaucratic nature are not entrepreneurial and therefore cannot be seen working with individual entrepreneurs but with groups through the supportive role.

4. Revisit the Indigenisation Policy. Instead of foreign owned companies continually dishing out aid to the communities they operate from they can create linkages with them and support them financially and contract them to provide services and grow their businesses.

5. Entrepreneurship education and training. Through the Ministries of education and Psychomotor activities school syllabi can have elements of entrepreneurship and not just practical or vocational rudiments. Local Universities need to include Entrepreneurship as a core subject for all degree and diploma programmes they offer. This can be done through formal training targeted at new start-ups to complement SEDCO (Small Enterprises Development Corporation) and other non governmental bodies like Empretec and ILO.

6. Take action to protect local businesses that are facing stiff competition from cheap imported products mainly from China by insisting technology transfer rather than direct importation.

For The Entrepreneurs

Entrepreneurs must make efforts to work in groups and to learn from one another. Role modelling can help improve skills and create linkages. The synergistic power of creating linkages will challenge content entrepreneurs to seek new heights and take entrepreneurship to another level. Enrolling in entrepreneurial Universities and colleges can also help provide necessary skills. Formalising businesses will ensure continuity of the businesses and even reduce individual risk.
CONCLUSION

The current activities in the informal sector are just a stop gap measure to alleviate poverty but cannot be sustained. Over the past 10 years Zimbabwe has experienced more of destructive entrepreneurship which is not very beneficial to the state and frustrates efforts to adequately provide services to the citizens because most of the informal players do not pay taxes and are engaged in black market activities which are detrimental to society. The journey to productive entrepreneurship though tedious and challenging can be reached by concerted efforts by the players in the entrepreneurial ecosystem.

REFERENCES


