

ENTREPRENEURSHIP CULTURE AMONG SMEs IN ZIMBABWE: A CASE OF BULAWAYO SMEs

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Abstract

Small and Medium Enterprises (SMEs) are worldwide are regarded as the major drivers of economic growth and as such nurturing and mentoring SMEs should be part of the macroeconomic policy if the economy is to realise a significant SMEs growth rate. Using descriptive statistics, the paper established the non existence of the entrepreneurship culture among the SMEs in Zimbabwe. Economic crisis though has a contribution to the failure to grow by SMEs; the research found that about 55% of the SMEs have been in existence prior to the economic crisis. Again, research and development is not considered key by many SMEs yet it is a major factor that allows the business to keep up with the dynamic socio-economic and political environment such as ever changing consumer tastes and preferences This research proposes that solution to Zimbabwean SMEs growth problems lies in enhancing entrepreneurial skills at both individual and organizational level thus corporate entrepreneurship. The skills can be acquired through training and mentoring as the research revealed that a sizeable number of SMEs owner/managers do not have the required qualifications that would enable them to take their entities to higher levels. Entrepreneurship involves many areas such as innovativeness, risk-taking and ability to compute in an ever increasing competitive global markets as well as the ability to pursue goals that are not tied to the level of current business resources endowment.

Keywords: Small and Medium Enterprises (SMEs), entrepreneurial culture, entrepreneurship, strategy formulation, corporate entrepreneurship

INTRODUCTION

Worldwide, there is a shift from large multinational companies being the major contributors to economic growth, to Small and Medium Enterprises (SMEs) being regarded as the drivers of economic growth. This shift has necessitated most governments to adopt a concept of “catch them young” as a way of nurturing SMEs to multi-billion multinational companies. In an effort to ensure the development of SMEs, the Government of Zimbabwe established the Ministry of Small and Medium Enterprises and Cooperative Development. The mandate of the Ministry is to ensure a guided approach in promoting development of SMEs and cooperatives in Zimbabwe as a means of empowering individuals at the same time boosting the development of SMEs and the economy at large.

The definition of SMEs is not universal but it varies region by region, country by country and within the same country, there is no consensus on the definition of SMEs as it also varies with the intended use of the data. In Zimbabwe, there are varied definitions of SMEs with the Zimbabwe Association of SMEs defining SMEs as follows; Small Enterprise has a turnover of less than USD 240.000 and the Asset base of less than USD 100.000. The medium enterprise is the one which has a turnover of above USD 240.000 but less than USD 1.000.000. These enterprises are to be formally registered and also being members of the Association of SMEs. The Ministry of SMEs and Cooperative Development incorporates all the enterprises which are not categorized as large companies despite their registration status. This includes the back yard operations to companies that have an asset value of up to USD 2.000.000. The Zimbabwe Revenue Authority (ZIMRA) has its own definition for tax purposes. ZIMRA defines SMEs in terms of employment, turnover and asset base. The definition is ;

Table 1: Definition of SMEs

Enterprise Category	Emplo yees	Annual Turnover (USD)	Asset turnover(USD)	Registration Status
Small	10-40	50000-500000	5.000-1000000	Formally registered
Medium	41-75	1000000 – 2000000	1000000- 2000000	Formally registered

Source: ZIMRA (Finance Act ss2b: chapter 23:04)

Any business above the mentioned threshold is considered a large company and below the threshold is considered a micro-enterprise. For the purpose of this research, the ZIMRA definition will be adopted. This is because the definition covers the broader aspects off company performance indicators which are employment, turnover and asset base.

Background to the study

The government's realization of the importance of SMEs and its commitment to the SME sector is demonstrated by the establishment of the Ministry of Small and Medium Enterprises and Cooperatives Development (MSMECD), the then Ministry of Small and Medium Enterprise Development in 2002. In an effort to boost SMEs, one of the achievements of MSMECD is the ability to negotiate with the financial institutions to set up micro financing targeting the SMEs. This created a gateway for the SMEs to be able to access funding for their various business ventures.

Prior to the establishment of MSMECD, the government of Zimbabwe established SEDCO (Small Enterprise Development Corporation), Venture Capital Company of Zimbabwe (VCCZ) and the Credit Guarantee Company of Zimbabwe (CGCZ). All these organizations were meant to facilitate access of funding by SMEs. The main thrust for promoting SMEs by these various initiatives is to promote economic growth, industrialization and the development of marginalized areas as well as empowering the disadvantaged with the ultimate objective of creating self-sufficiency through SMEs development. The operations of SEDCO saw the birth of Retrofit which later turned into Econet (wireless giant) which has branches in Nigeria, Kenya, Burundi and shares in other networks such as Mascom in Botswana.

Other than the setting up of the institutions that are meant to support SMEs, they were also initiatives by other units such as the Zimbabwe National Chamber of Commerce (ZNCC) through Small Business Support Unit and the Confederation of Zimbabwe Industries (CZI) through the Small Enterprise Promotion Unit. These initiatives were marred with problems of secured loans, which might result in worse situation given the poor record keeping and financial management of most SMEs.

In 1991, the Government adopted the Economic Structural Adjustment Programme (ESAP). ESAP shifted the economy from government to market forces (GOZ, 1991). This created an opportunity for the development of SMEs. This was because of the relaxation of rules and regulations with regard to investment approval laws and local government by-laws (Mumbengegwi in Helmsing et al 1993). This resulted in mushrooming of SMEs with local authorities setting aside land earmarked for SMEs. This resulted in the development of home industries such as the Siyaso Home Industry in Harare and Makokoba Home Industry (Mkambo) in Bulawayo.

The restrictive tariffs laws were removed and instruments that were meant to protect the domestic industry were introduced. This further boosted the setting up and development of SMEs. Despite all these initiatives to boost SMEs, the sector remained constrained mainly due to tough competition from imports and well established companies (Matsalaga 1998) This

required the entrepreneurs to understand that entrepreneurship does not start and end with the establishment of a business, but the survival of the SMEs are greatly affected by its internal environment (culture).

In 2008, the Indeginisation and Economic Empowerment Act was passed and certain funding structures facilities were put in place such as the Youth Fund through the Commercial Bank of Zimbabwe, (CBZ), Kurera/Ukondla fund through CABS and Meikles Youth Empowerment facility (GOZ, 2008). The TREE (Training for Rural Economic Empowerment) programme which is an informal apprentice training is meant to improve the skills and quality of products produced which would enhance the ability of SMEs to compete locally, regionally and in some cases internationally, (Kasukuwere 2013). All these initiatives were meant to promote the growth of SMEs

Problem Statement

Despite the initiatives in place pre and post economic crisis, most SMEs remained the SME category with some of the SMEs downsizing and some closing show. Some writers attribute the stunted growth of these SMEs to economic crisis but as indicated above there have been various initiatives that were put in place to ensure the growth of SMEs. These include the tax allowances which are meant to promote growth. ZIMRA provide a 50% Special Initial Allowance (SIA) in the first year and 25 % in two subsequent years of assessment.

SIA is a capital allowance which reduces the taxable income. This leaves the business with more income which is supposed to be used for the development of the enterprise. The capital expenditure is 100% claimable in the first year and 50% in the second year and 25% in the third and fourth year. Other than tax allowances financial institutions through various financial initiatives such as the establishment of micro finance services which are targeted to SMEs and the industry initiative through the Confederation of Zimbabwe Industries , Business linkages, most SMEs have failed to realize a reasonable growth. Many SMEs have attributed their failure to grow, to harsh economic conditions which are currently fueled by the liquidity crisis. Personal attributes of the entrepreneurs, organizational culture and the existence of entrepreneurial culture require an in-depth investigation as some of the SMEs have been in the SME category for over twenty years. Thus the paper seeks to establish the existence of such traits among SMEs in Zimbabwe which are key internal factors to business development and growth.

Objectives of the study

Many writers and speakers such as Chinamasa (2013) are focusing on the contribution of SMEs to economic growth and some on how the external environment can be manipulated to accommodate the SMEs without having to analyse the factors that are internal to the SMEs and an organization, thus the research seeks;

1. To evaluate the internal factors that can promote or hinder the growth of SMEs with specific reference to entrepreneurial culture in an organization among SMEs in Zimbabwe.
2. To identify the skills gap that might be hindering the growth of SMEs into MNCs.
3. Coming up with possible strategies or programmes that are geared to empower or equip SMEs managers/owners to develop and practice entrepreneurial culture with specific reference to corporate entrepreneurship.

Study Hypothesis

The study proposes that one of the solutions to Zimbabwean SMEs growth problem lies in enhancing entrepreneurial cultures especially corporate entrepreneurship at both managerial and organizational levels. This means that the failure to grow by most SMEs is as a result of lack of entrepreneurial culture among SMEs.

Scope of the research

The research focuses on SMEs with specific reference to the Bulawayo Metropolitan Province, Zimbabwe. The research targets all the registered SMEs which meet the ZIMRA definition of SMEs definition. This is because of the aspects included in the ZIMRA definition which are employment, turnover and asset base. The research also analysed the organisational structure which can be used to reflect the level of trust by the owner/manager and also help assess the autonomy of the business from its owner

LITERATURE REVIEW

Entrepreneurship is often and many times misunderstood by many scholars and writers. It is most interpreted as the ability to start business which is the neoclassical definition of entrepreneurship. David et al (2009) argue that the neoclassical definition is often emphasized at the expense of other attributes of entrepreneurship such as corporate entrepreneurship and entrepreneurial culture and entrepreneurial personality. This misconception of entrepreneurship has resulted in the failure of most SMEs as the owner/ managers only concentrate on starting the business without embracing the other attributes that would ensure the survival of the business.

Entrepreneurship involve many areas such as innovativeness, risk taking, ability to compete in an ever increasing competitive global markets, ability to learn, delegate, trust and empower workers among other areas. It is therefore imperative to note that entrepreneurship does not end once the business has been set up, but there is need to continue with entrepreneurial activities within the existing business, if the SMEs are to be growth focused.

Entrepreneurship is loosely defined as the creation of new economic entities which are centred on the production of goods and services which are distinct. For the business to succeed, the entrepreneur needs to have an entrepreneurial personality which is inherent into the individual. It is this entrepreneurial personality that enables any interventions to be effective and thus helping the development of SMEs into large companies. A successful entrepreneur is viewed to be an individual who start the business and grow it from strength to strength until the business has moved from the SME category into a large company. This is possible if the entrepreneur is able to handle failure. The ability of the entrepreneur to handle failure is partly influenced by the societal culture. Some cultures view failure as a learning experience and this encourages the entrepreneur to forge on and to rectify their mistakes and start all over again. Learning from past experience means bringing in knowledge, skills, values and attitudes together for the betterment of the business. The success of the entrepreneur is underpinned by his ability to learn from experience (David et al 2009).

In some social circles, failure is not tolerated and this affects the failure handling ability by the entrepreneur. This has also resulted in some SMEs to voluntarily remain small because of fear of failure. Networking is also viewed by Hisrich et al (2010) as an important element in the success of SMEs. Networking helps the SME manager/owner identify the potential benefits. He however highlighted that networking should be encouraged at inter-firm level which helps the SME manager/owner to share ideas and key strategies for the success of the business- thus social capital. The importance of social capital in emphasized by Simeon et al (2003) as he states that social capital is either glue or bond which strengthens the SMEs. Though social capital is viewed as glue or bond the width and depth of networking is affected by the level of trust and the nature of business venture.

Problem solving skills are very essential for the growth and survival of SMEs. There is need for the SME manager/owner to be able to cope up with problems and understand the reasons for occurrence of the problem. Once the reasons for the occurrence of the problem are ascertained, the SME manger/ owner will be able to device measures that would ensure non-recurrence of similar problems thus Pedler et al (1991) refers to this process as “double loop learning”. The double loop learning involves examining why problems have occurred and in the process learning something from the problem.

Other than the entrepreneurial personality, Brush et al (2009) highlighted the need to embrace the culture of entrepreneurship thus corporate entrepreneurship which is entrepreneurial activities within an existing business. The activities include innovation, planning, taking calculated risk, redesigning the internal business structures to suit the ever-changing customer tastes and the general business environment which is influenced by socio- economic and political environment. Corporate entrepreneur requires that the SME owner/manager view the employees as individual who are full of new ideas who can be entrepreneurs within an organization. These individual should be given the freedom to experiment their unique ideas without the fear of being victimized in an event that their ideas fail to yield the intended results. This encourages innovation and new idea generation that would enhance the growth and success of the SME. Marjorie et al (1993) highlighted that the innovators should be given a positive reinforcement even in cases where their ideas have failed as learning takes place when failed projects are examined closely and identify possible learning outcomes. This attitude helps the organization to retain the brightest people. These bright people and their ideas when accommodated will take the organization to greater heights. Gath (1990) noted that brightest people in an organization if not given an opportunity to experiment their ideas, are likely to leave the organization and start their own business, sometimes as they leave they take with them key staff members which might paralyse the SME as people with innovative ideas leave the organization. Russell (1992) however noted that though employees can be allowed to experiment, they should be allowed to do so with low risk opportunities

Failure to embrace corporate entrepreneurship which is crucial for organisational growth is in most cases reflected through the ineffectiveness of the traditional management styles. The traditional style holds that since the owner of a business is the one who started the business, then any changes or innovations in the business should be initiated by the owners and not workers. This belief has choked most SMEs of new ideas which can help the SME to survive in an ever dynamic business environment. Gath (190) summarises what is required by an SME to grow in five steps which are;

- Vision development
- Encouraging innovation
- Structure the organization for corporate entrepreneurship
- Develop individuals for corporate entrepreneurship and
- Creation of venture teams.

The above steps coupled with a steady flow of capital and certain entrepreneurial traits such as the ability to delegate, self confidence would result in the growth of the SMEs.

METHODOLOGY

The research utilised both secondary and primary data sources. The secondary data was obtained from ZIMRA, pertaining to registered SMEs. The data from ZIMRA was used because the research applied the ZIMRA definition of SMEs. The data was first stratified, that is grouping SMEs according to the sectors (strata) which are mining, manufacturing, retail, and service such as hotel hair salon and catering.

After the data had been grouped a simple random sampling technique was used to select the sample from all the sectors that were identified. From the selected SMEs the primary data was collected which is,

- The year the organization was established- to assess the survival rate
- The number of employees at start and the current establishment – size in terms of employees
- The organisational structure and the qualifications of individuals holding key positions in the organization to ascertain the existence of competent manpower
- Data on asset base and annual turnover in order to categorise the organization into Small or Medium Enterprise
- Strategic plans if any and the long term plans as they indicate the willingness of the owner/manager to take the organisation to greater heights
- Measures in place to encourage innovation, research and development thus entrepreneurship activities within the organisation.
- Challenges being faced by SMEs both internal and external challenges.

Other than ZIMRA, the information was also obtained from the Ministry of SMEs and Corporative development. The information gathered from the Ministry was on the current measures that are in place to facilitate the growth of SME as well as the challenges that the Ministry is facing in facilitating the growth of SMEs.

The collected information was analysed using descriptive statistics. This was so given the variability of the areas assessed. The information analysed was collected from primary sources though secondary sources were used in some instances. The questionnaire was used to collect the data. The questionnaires were distributed and collected after three to five days to allow the respondents to complete the questionnaires in a relaxed environment. In areas that were not clear, the follow up interviews were used mainly for clarity on grey areas.

ANALYSIS

Most SMES has been in existence for more than five years with some being as old as thirty five years. Only 45% of the SMEs are five years and below. This means that there are challenges that are faced by SMEs which affecting their growth which are not linked to economic crisis. The period of existence is shown on the table below.

Table 2 SMEs years in operation

Years	number	Percentage
1-5	36	45
6-10	18	22
11-15	4	5
16-20	10	14
21-25	7	9
25-30	3	4
31-35	2	3
Total	80	100

From the table above it can be said that only 3% of the SMEs survive up to more than thirty years which shows a very low survival rate. This could be attributed to very low capital base (table 3) and lack of well trained personnel as the research reveals that most of the SMEs owner/managers barely attained a degree level of education in the area they are specializing in (table 4).

Table 3: capital base

Capital (000)	No of SMEs	Percentage
0-50	27	33
51-100	16	20
101-150	3	4
151-200	6	8
201-250	6	8
251-300	2	3
301-350	1	1
351-400	1	1
401-450	1	1
451-500	1	1
501 more	16	20

About 80% of the SMEs have their capital base below USD 500 000. This might pose the challenge on research and development due to resource limitation.

Table 4 Owner/ Manager Qualifications

Qualifications	Number of SMEs owners/managers	Percentage
PhD Degree	0	0
Masters Degree	0	0
Honours Degree	5	6
Diploma	33	41
Certificate	42	53
None	0	0

About 53% of the SMEs owner/managers are holders of a certificate qualification. The owner is the one responsible for most the decisions done in the organisation which include the financial, operations and human resources decisions. This has an effect on the performance of the entity as it blocks new ideas from coming into the organisation. Where the SMEs have some other people managing their business, mostly these individuals are related to the owner with no relevant qualifications. In this case these individuals tend to pursue family interests instead of business interests thus resulting in family affairs affecting the business in an undesirable manner. There is no budget for research and development as most of the SMEs indicated the availability of the budget for research and development as shown below;

Table 5 Research and Development budget

	Frequency	Percent
0	67	83.8
1	13	16.2
Total	80	100.0

80% of SMEs have no budget for research and development and only 16% has the budget for research and development. Other than the budget for research and development, the employees are not given an opportunity to neither bring in their idea nor experiment their new ideas for there is no such a budget owing to small capital base and the risk averse behaviour by many SMEs. This is supported by the inability of the entities to have a strategic plan. Though all SMEs have a vision, there seem to be no will by the owner/ manager to take action for the fear of failure due to uncertainties presented by the current economic situation.

Though most SMEs indicated the appreciation of record keeping, only 33% indicated that their records especially the financial records are audited and 67% indicate that auditing expose the financial secrets of the organisation to individuals who have nothing to do with the business and sometimes the owner/manager fears that the auditor might pirate some of his

ideas and also disclose the information to the tax man (ZIMRA). This has resulted in mismanagement of processes and thus resulting to a higher failure rate of most SMEs.

Employees are not viewed as valuable assets by most SMEs as indicated by the absence of the staff development policy. Only 16% of the SMEs indicated that they have staff development policy where staff members are assisted with loans to pay their fees. Some of the loans are an arrangement with the commercial banks and some are paid out by the employer against the employee's salary. This has resulted in a very low up take as most employees' salaries are below the poverty datum line already thus discouraging the employees from committing thus this has resulted to low labour productivity.

The economic environment has been attributed to the failure to grow by the SMEs. This is so for SMEs that are below ten years. About 78% of the SMEs sited reduction in sales revenue which could be due to liquidity crisis affecting the whole economy. Competition was also cited as one of the challenges most SMEs are facing.

FINDINGS

The research reveals that the culture that is necessary for SMEs growth is most present in most SMEs. There is no trust between the owner and the employees; innovation is not encouraged among employees for the development of the entity thus corporate entrepreneurship. The employees are employed on the basis of nepotism and without regard to relevant qualifications. Other than the above findings, the decisions that affect the organisation are mainly done by an individual who is the owner/manager. There is no audit of the records and thus poor financial management. The research thus revealed that most SMEs are failing to grow due to lack of entrepreneurial culture as evidenced by research findings which are;

- Poor financial management
- Unqualified personnel including the owner/manager
- Weak networking by owners/managers
- Lack of research and development thus no innovation and injection of new ideas into the business
- Little or no consultation by the owner/manager when making decisions.
- No trust between the manager/owner and the employees
- Financial matters are mainly handled by the owner/manager who in most cases does not have financial management knowledge.
- Most SMEs have no strategic plan which makes it difficult to devise strategies to combat competition in the highly competitive market.

Other than the internal factors, there are also external factors that are currently affecting the growth of SMEs which include competition both locally and internationally as well as the current economic crisis such as the liquid crisis among others.

RECOMMENDATIONS

From the research findings, it is clear that there is need to blend the entrepreneurial culture together with the favourable economic conditions if the SMEs are to grow and meaningfully contribute to the economy. There is need for the government to come up with the policies that can enable the SMEs to raise their capital needs without jeopardising their businesses. As for external competition, there is need for entrepreneurs to come up with the strategies that would enable the entities to produce efficiently such as coming up with better and cheaper modes of production. This could be achieved by combining the transport cost so as to cut on delivery costs which might greatly reduce the landing price thereby making the products competitive in the market. Training is crucial as revealed by the research that most owner/managers and their employees are not qualified. Training on corporate entrepreneurship is needed among the SMEs owner/managers. This would assist them in developing and appreciating some of the skills that are required to such networking, people skills, problem solving skills and technical skills in their areas of specialisation, innovation skills, customer care and new product designs.

CONCLUSION

It can be concluded that the growth of the SMEs lies mainly with the ability of the SME owner/manager to manage the internal affairs so as to adapt to the external affairs. These internal affairs should be managed in a manner that promotes entrepreneurial activities. Without the proper management and promotion of corporate entrepreneurship (entrepreneurial culture), it might be very difficult to improve the SMEs survival rate and eventually grow them into large multi-national corporations.

Though the study findings are crucial in policy formulation and implementation, the main limitation was that the study was confined to Bulawayo Metropolitan province which might affect the relevance of the study findings to the rest of the country, thus the fallacy of composition. The findings of the research were not subjected to empirical test and evaluation which might limit the implementation of the research findings.

There is need to research on the feasibility of some of the recommendations suggested above by empirically testing with few identified SMEs and verify the effectiveness of such suggestion for example training and innovation promotion. Again research can be done on the ways of raising capital for SMEs without tying the business to the debt.

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