

Title

Small to medium enterprises (SMEs): The heart of entrepreneurship

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Abstract

Zimbabwe has made a deliberate choice to indigenize the economy but has overlooked linking indigenization and the indigenous culture. School pupils are educated to become employees and not employers. Until this cultural gap is closed, the indigenization effort will have fewer takers as

people look up to foreign investors for jobs and employment. The purpose of this chapter is to examine Zimbabweans's readiness to own and manage their resources for their own benefit. Zimbabweans need to transform the mindset of being job seekers and to become job creators.

Key words

development, entrepreneurship, small and medium enterprises, Zimbabwe

Introduction

Zimbabwe has made a deliberate choice to indigenize the economy but has overlooked linking indigenization and the indigenous culture. School pupils are educated to become employees and not employers. Until this cultural gap is closed, the indigenization effort will have fewer takers as people look up to foreign investors for jobs and employment. The purpose of this chapter is to examine Zimbabweans's readiness to own and manage their resources for their own benefit. Zimbabweans need to transform the mindset of being job seekers and to become job creators.

Formal employment in Zimbabwe: an overview

High rate of formal unemployment

Since the year 2000 which marked the start of the agrarian reform, Zimbabwe's economy has been disengaging from the global economy. Whilst there is debate of employment statistics, the Confederation of Zimbabwe Industries (CZI), (2010) statistics suggest that 80% of the population is unemployed. Zimbabwe Statistics (2013) show that more than less than 25% of Zimbabweans are formally employed. Although different, the providers of these statistics agree that Zimbabwe's economy is in the informal sector. A rate of unemployment of as high as 80% will be unattainable unless we were witnessing mass starvation and poverty. Only about 2 deaths were reported by the independent press in 2009 to have been related to starvation. One can only attribute the survival of the economy to traits of entrepreneurship in the local population. How have Zimbabweans demonstrated this entrepreneurship? Zimbabwe's educational sector has been expanding since 1980. There was one university in 1980 and there are at least 13 now (2013). This is against low-capacity utilization of labour in industry. CZI capacity utilization was 43,7% in 2010. One can speculate that the unemployed graduates are turning to the SME sector for employment.

The effects of ESAP

The Economic Structural Adjustment Programme (ESAP) beginning in 1991 resulted in a lot of companies down-sizing, restructuring or re-engineering. The affected workers went on to join the SME sector and swelled its numbers (Bhalla, Davies, Chitiga, Mabugu, and Mabugu, 1999). The situation was made worse by the economic meltdown Zimbabwe experienced between 2000 and 2008 (CZI, 2010). The SME sector has, therefore, become the mainstay of Zimbabwe's economy (Munyanyiwa, 2009). In this respect the economy was indigenized informally by ESAP. In that respect Zimbabweans are entrepreneurs but do not know it.

Youth empowerment and gender equity

As a way of encouraging youth to participate in economic activities, the Zimbabwe government has encouraged the starting of SMEs by young people and women (Kasukuwere, 2011) A survey by Gallup (2010) in 27 African countries including Zimbabwe has shown that youths are increasingly getting interested in starting their own businesses (Musarurwa, 2011).

The rural urban drift

People moving into cities from rural areas find employment in the informal sector. This has seen the SME sector growing and calling for the attention of policy makers, academics and non-governmental organizations (NGOs). Todaro (2008) says attempts by developing countries to arrest the rural urban drift have failed and there is a need to find a means of absorbing people moving from rural areas into the urban economy. Growing SME involvement in the economy has been the result (Chidyausiku, 2010).

Entrepreneurship

Strategic role of SMEs in economic transformation

Globally, SMEs account for 99% of business numbers and 40 to 50% of GDP (European Commission, 2003). In the United States of America and European Union (EU) countries it is estimated that SMEs contribute over 60% employment, 40-60% to Gross Domestic Product (GDP) and 30-60% to exports (European Commission, 2003). The Asian Tigers such as India, Indonesia, China, Malaysia, Japan, and South Korea also have thriving SME

sectors contributing between 70-90% in employment and an estimated 40% contribution to their respective GDPs (Munyanyiwa, 2009). SME sector development is one of the key economic issues for advanced countries such as Japan and the United States, also for the East European countries as well as developing countries like Indonesia, the Philippines and China (Kameyama, 2009).

The important role that SMEs play as an engine for economic growth in the world economy is well understood. The contribution of micro enterprises to the gross domestic product (GDP) and to employment has been appreciated by successive UK Governments since the 1960s. As early as 1971, the United Kingdom Government commissioned a study into all areas of the sector, supervised by the Bolton Committee, who concluded that in the UK there was a generally low level of management in small firms and that training and support service could be improved to increase the chances of survival of SMEs (Jayawarna and Macpherson, 2006).

Characteristics of entrepreneurs

Opportunists

Entrepreneurs emerge from the population on demand and become leaders because they perceive opportunities available and are well-positioned to take advantage of them. An entrepreneur may perceive that they are among the few to recognize or be able to solve a problem.

Visionary

An entrepreneur is a visionary. He sees into the distant future things others with a shorter foresight do not see. It is not uncommon that he may be taken for a person living with a mental illness.

Social network relationships and political persuasion/ideology

The most significant influence on an individual's decision to become an entrepreneur is his social network and the social composition of the network. Young people have never been exposed to the pressure of capitalism and the stresses of working for someone appears to idolise formal employment in multinational corporations. On the contrary, American children respect being one's boss. Billy Gates left school straight away to be his own boss. He got psychological support from a friend with the same mindset.

Risk taking

Entrepreneurs also often possess innate traits such as extroversion and a propensity for risk-taking, argues Nanda and Sorensen (2008).

Innovativeness/ Creativity

According to Schumpeter, an entrepreneur characteristically innovates, introduces new technologies, increases efficiency, productivity, or generates new products or services.

Joseph Schumpeter saw entrepreneurs as innovators and popularized the uses of the phrase creative destruction to describe his view of the role of entrepreneurs in changing business norms. Creative destruction encompasses changes entrepreneurial activity makes every time a new process, product or company enters the markets.

Gender differences

Empirical studies suggest that women entrepreneurs possess strong negotiating skills and consensus-forming abilities.

Catalysts for change

An entrepreneur acts as a catalyst for economic change and research indicates that entrepreneurs are highly creative individuals who imagine new solutions by generating opportunities for profit or reward.

Confidence

An entrepreneur believes in himself/herself. He/she has a realistic assessment of his/her weaknesses and strength. People who lack confidence undervalue themselves and underestimate their potential.

Other qualities

- Over achievers
- Like to take personal responsibility
- Want an active role in determining outcomes.

New research regarding the qualities required for successful entrepreneurship is ongoing, with work from the Kauffman Foundation forming the statistical basis for much of it.

Do Zimbabwean entrepreneurs meet these qualities?

Taking advantage of opportunities

By taking over the land, Zimbabweans have shown that they can take advantage of opportunities. Since the start of the agrarian reform agricultural production has been on a steady increase. In the year 2001 only 50 million kilograms of tobacco were produced and by 2012 this had trebled. ESAP was a threat which many people turned into an opportunity to start small enterprises.

Visionary

Zimbabweans are now admired all over Africa for their economic vision. The West does not like this vision because it is a vision about redirecting local wealth from going to the West to going nowhere but staying in the country for the benefit of locals.

Network influences

The local press impresses upon us that we have two groups of people in Zimbabwe. Those who want to grow the economy through foreign direct investment (FDI) and those who believe the economy can be grown through local resources. The fact that the Zimbabwe economy has survived capital flight since 2000 is evidence that an ideology of self-reliance has taken hold. Most people who have taken up self-employment are not eager to take up formal jobs again.

Innovation

No ordinary people would have survived Zimbabwe's hyperinflation of 2007 to 2010. Zimbabweans proved themselves to be innovative. It is argued that the economy survived on the backbone of the informal sector mainly the women cross border traders. They brought in goods which had disappeared from the shelves. The people showed innovativeness.

Catalysts for economic change

The appropriate technology tobacco and paprika drying bans that the new farmers have forged shows that Zimbabweans are catalysts for change. The bans have no blowers, stokers and high tech. But the crops still get dried. One sees loads of virginia flue cured tobacco tracking to the auction floors and one thinks it is coming from a high tech ban.

Confidence

An entrepreneur exudes confidence. She/he believes in herself/himself. If one talks to people like Rudo Boka and Mrs. Ndlukula - two Zimbabwean women entrepreneurs, one will discover that they have a spirit of self-belief waiting to explode in them. Rudo inherited the largest tobacco auction floor in the world from his father whilst Ndlukula has shown innovation in becoming the first women to run a successful security company, Securico. Securico has won several awards, both locally and internationally.

Other qualities

Zimbabweans are high achievers having achieved one of the highest literacy rates in Africa which is above 90% of the population. What remains to be achieved is the best economy in Africa on the back of a highly educated labour force. Zimbabweans determined their own fate in the struggle for independence. They need to determine their own fate in their economic liberation.

Recommendations

A detailed study is needed to determine how the Zimbabwean economy survived global isolation from 2000 to date (2013). Researchers need to investigate the role small cross border traders played in keeping the economy afloat. There is need to investigate the establishment of a National Insurance Fund to limit the losses of SMEs in the case of failure. It appears the industrial districts have shifted from the traditional areas of Belmont in Bulawayo and Plymouth in Harare to centres for informal sector activities like Glenview Furniture Manufacturers, Gazaland and Mbare, Magaba. We need to know how the small operators in these places can be helped to grow to become large scale manufacturers (LSM) able to compete at global level. Entrepreneurship lessons should be taught in schools from a very early age.

Conclusion

We have noted that entrepreneurs possess specific qualities. Zimbabweans have demonstrated these qualities in keeping the economy afloat in spite of disengagement from the world economy. What is needed now is to establish how those qualities can be further developed and move the economy forward for the benefit of the ordinary people variously called the 'povo', the working class or the general populace. The general populace kept the economy going as cross border traders and SME operators. We also observe that ESAP hardships were a preparatory training for the economic decline of 2000 to 2010. Promoting indigenization through SMEs is not optional in view of the unlikely return of foreign capital.

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