

Managerial deficiencies in the Small and Medium Enterprises (SMEs) in the craft industry: An empirical evidence of SMEs at Great Zimbabwe in Chief Mugabe's area

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Abstract

The Small and Medium Enterprises continue to be the powerhouse of economic growth for economies of the world. Almost every economy that has achieved major economic growth had a concentrated drive to establish SMEs. In its quest to reverse the massive economic decline that has been principal characteristic of the last decade, Zimbabwean government has shown commitment on developing SMEs. This study discusses the fundamental managerial deficiencies of the SMEs in the craft industry at Great Zimbabwe in Chief Mugabe's area. The study is based on the primary data collected from 20 SMEs based at Great Zimbabwe in Chief Mugabe's area. Random sampling was employed to select the sample. The data was gathered using an open ended questionnaire and interviewing owner-managers of the SMEs. The study found out that the basic management functions of planning, organizing, leading and controlling are not practiced. It was also established that financial management and other key management areas are weak in SMEs in the craft industry. The study therefore recommends that managerial training be offered to the craft industry owner-managers. Government and local universities in Masvingo should participate in developing managerial knowledge to entrepreneurs of SMEs in the craft industry.

Key words: Small and Medium Enterprise, managerial deficiencies, craft industry.

1. Background to the study

Small and Medium Enterprises sector is the sector of the economy that helps many countries of the world to wither the economic decline. Almost every country that has achieved major economic growth had a concentrated drive to establish SMEs (Armstrong 2009, Ball et al 2010, Barney and Clark, 2007). Prime examples of economies which have used SMEs development as a catalyst for economic development are China, South Korea and Malaysia. Zimbabwe can not be spared from this as it is struggling to reverse the massive economic decline that has been the principal characteristic of the last decade. What this means is that the SMEs in Zimbabwe remain the powerhouse of economic growth and improvement of the welfare of the general population.

All developed and developing countries have recognized the importance of the development of SMEs (Bowen, Morara and Mureithi, 2009), because, they play a significant role in economic development (Brammer, Hojmosse and Marchant 2011). SMEs are regarded as a vehicle for economic growth of countries. This is so because of their capacity to achieve rapid economic growth at the same time generating considerable employment opportunities. Promotion of SMEs results in the increase in industrial output of a country and thereby increases the share of the industrial output in GDP (Charantimath, 2006) and finally it may enable to maintain a significant economic growth together with rapid industrialization. SMEs worldwide still supply a large amount of component and intermediate products for the large industries and double this as sub contractors (Chidoko et al 2011).

The importance of SMEs in developing countries like Zimbabwe can not be overemphasized. More than half of the total industrial establishment is contributed by the SMEs (Zindiye 2008). The function of SMEs in most of the developing countries is very important in generating employment and increasing national product, thereby increasing the industrial output (Zoephel 2011). Development of SMEs is significant in the developing countries like Zimbabwe (Chidoko et al 2011), which suffered from problems of unemployment, lack of investment, balance of payment, poverty and poor redistribution of national income because SMEs provides a solution for the complex national economic problems of a country (Zimbabwe Government 2008). SMEs have the capacity to achieve economic growth faster in view of their high employment potential, small gestation period and relatively limited financial requirements. They help to solve unemployment problem to a considerable extent and also create more employment opportunities as compared to that of large industries. This is because the SMEs are labor-intensive industries. Development of the SMEs has the potential of developing the previously economically

marginalized rural areas of Zimbabwe Zindiye 2008, Chidoko et al 2011. Problem of income inequality, balance of payment, lack of capital and technology can be solved by promoting SMEs. On the other hand SMEs help to increase the country's national income, thereby enhance the living standard (Dumbu and Musingafi, 2010) of the people. So the development of SMEs in developing countries like Zimbabwe is very important.

Following the attainment of independence in Zimbabwe in 1980, the ZANU PF led government established several government ministries to deal with the SMEs development and promotion (Government of Zimbabwe 2002). The case in point is the commitment shown by the government since then to make sure the SMEs sector is given due recognition in the economy. The Ministry of Small and Medium Enterprises establishment is a clear testimony of the government of Zimbabwe's commitment toward making SMEs succeed. There are also many institutions that are working hand in glove with the promotion of SMEs in Zimbabwe (Zindiye 2008). To mention just a few we have Small Enterprises Development Corporation, the Venture Capital and various non-governmental institutions usually pay attention towards the promotion of SMEs providing financial, technical, marketing, training and some other assistance (Zindiye 2008).

Lifetime of most SMEs is very short and growth of most industries is very slow (Macpherson and Holt 2007). It is evidenced that growth of most industries depends on efficient management. Effective management can satisfactorily face any challenges, obstacles and problems coming from external and internal economic environment (Pearce and Robson 2009). Entrepreneurs can achieve their goals if there is efficient management. If management process of the industry is efficient, production of SMEs increases due to the decrease of cost of production. Decrease of the cost of production due to management efficiency directly causes shift of the industrial supply curve to the right showing the increase of production (Dumbu and Musingafi, 2010). Managerial inefficiency or poor managerial ability affects the poor growth of an industry (Leader 2007, Liedholm 2001; Sultan 2007). Therefore this study attempts to study management deficiencies of SMEs, which avert the rapid growth of SMEs in the craft industry at Great Zimbabwe in Chief Mugabe's area.

2. Statement of the problem

Overwhelmed by the importance of the SMEs in economies of developing nations, the SMEs are cropping up in different industries. These are poised to overcome the challenges of unemployment and the redistribution of nation income in those countries. The problem with these firms is that of management practices that are performed by the SMEs in the craft industry. Therefore this study aims at examining the management deficiencies faced by the SMEs in the craft industry at Great Zimbabwe craft centre in Chief Mugabe's area.

3. Objectives of the study

The study sought to achieve the following objectives:

- To examine the current management practices practiced by the SMEs in the craft industry at Great Zimbabwe in Chief Mugabe's area.
- To explore the alternatives approaches that can be used the SMEs in the craft industry to circumvent management deficiencies.

4. Research questions

The main question addressed by the current study was 'which basic management functions are not properly practiced by the SMEs in the craft industry at Great Zimbabwe craft centre in Chief Mugabe area of Masvingo District.

4.1 Sub-problem

- What management functions are performed by the craft industry at Great Zimbabwe Craft Centre in Chief Mugabe area?
- What is the way forward in terms of development of management functions in the SMEs in craft industries?

5. Methodology

The study is mostly based on primary data collected from the selected SMEs in the craft industry at Great Zimbabwe in Chief Mugabe's area in Masvingo District of Zimbabwe. Selection of the SMEs was based on the number of employees ranging from one person to twenty workers. There are 20 SMEs at Great Zimbabwe craft centre in Chief Mugabe all (100%) were used in the study. The selection was not selective. Data was mainly collected through open ended questionnaire and interviews to the owner- managers of the craft firms. Issues relating to management process and other management deficiencies were studied. The collected data was

qualitatively analysed following the themes that emerged to be important to managerial deficiencies in SMEs at Great Zimbabwe craft centre in Chief Mugabe's area.

5.1 Population

The target population was all the craft firms based at Great Zimbabwe craft centre in Chief Mugabe's area. According to the Masvingo Rural District Council telephone conversation with the receptionist, there are 20 firms that operate at the Great Zimbabwe Craft Centre.

5.2 Sample

A convenient sample of 20 managers or owners of the SME firms in the craft industry participated in the study. A convenient sampling was preferred because the researcher chose to use subjects that were easily available (Siegle, 2002). Thus the researcher took advantage of the workshop held at the Masvingo Rural District Council premises by the Rural Unity for Development Organisation (RUDO), of which the researchers were the presenters. Each participant who was included into the research had indicated on the workshop registration for that he/she had a business in craft put up at the Great Zimbabwe Craft Centre.

5.3 Instruments

The study used questionnaires and unstructured interviews. The questionnaires contained eight open ended items that solicited information on the management functions practiced by the SMEs in craft industry based at Great Zimbabwe. Unstructured interviews were also used to augment data collected through the open ended questionnaires.

5.4 Procedures

As the participants for the work shop organised by RUDO arrived at take seats, the researchers asked them to fill in a workshop attendance register with a column on whether one owned a business in craft at Great Zimbabwe craft centre in Chief Mugabe's area. Then the researchers selected all those names who indicated that they had a business in craft work at the Great Zimbabwe craft centre and issued the individuals with a questionnaire to respond to on the spot. Unstructured interviews were used to ask participants whether they practice various management functions in their businesses.

5.5 Data analysis

Responses from open-ended questionnaire items and from unstructured interviews were recorded and coded according to themes that emerged. Data was then analysed according to the emerged themes and findings and conclusions were arrived at.

6 Results and discussions

The objective of the study was to examine the current management functions that are being performed by the SMEs in the craft industry. This was done in the wake of stagnation of growth of the SMEs in the craft industry at Great Zimbabwe craft centre in Chief Mugabe's area. Managerial deficiencies in the SMEs in the craft industry at Great Zimbabwe craft centre in Chief Mugabe's area, that fall under the management process of planning, organising, leading and controlling are discussed thematically. Also the basic weaknesses of the key management areas such as marketing, finance, human resources, public relations and production are discussed under the following headings.

6.1 The management process

6.1.1 Planning

In order to promote growth of any business whether big, medium or small, entrepreneurs should have proper and systematic plans. Planning of future development of the SMEs is very important because it shows a distinct and correct path that should be followed for achieving goals and objectives of the enterprise (Venter, Urban and Rwigema 2008). Unfortunately it surfaced in this study that all the SMEs involved in this study have no proper and systematic planning process. Planning that was solicited by the research was related to the presumed costs, product, profits growth opportunities and the expected challenges and decisions on how to circumvent the anticipated challenges. These cropped up in this research as the main planning deficiencies of the SMEs in the craft industry at Great Zimbabwe in Chief Mugabe's area.

What the respondents said is the major weakness in planning is the lack of managerial knowledge in small entrepreneurs associated with the level of education. Most of the respondents in the study have not reached even Zimbabwe Junior Certificate level although the industry is now attracting Ordinary level owner-managers. But those who have attempted Ordinal level have not passed even a single subject. Thus most of the owner-managers

at the Great Zimbabwe craft centre do not have sufficient education, business experience and also managerial experience. As a result of this most of them are unable to manage their businesses properly. On the other hand personnel with the right qualifications and managerial knowledge were not recruited to these firms to assist in management related issues.

6.1.2 Organisational structure

Organising is a very important aspect of management process and it includes organisational structure. Organisation structure has to do with classification of duties, the devolution of power and proper management of the business for achievement of business goals (Mmari 1996). This allows owner-managers in SMEs a chance to achieve goals systematically. On the contrary, this research established that most of the SMEs in the craft industry situated at the Great Zimbabwe craft centre in Chief Mugabe's area lack such systematic organisational structures. The SMEs were found with improper organisational structure in which case the entrepreneur was the chief executive officer who handles all the duties and responsibilities of the enterprise single handed without delegating duties and responsibilities to other person.

It was found in this research that the owners-managers of the SMEs in the craft industry managed the production process, supply of raw materials equipment procurement and maintenance and control of quality of the product. If ever a helping hand was found it came from the family members performing marketing, financial transactions and management of human resources if ever there were some employees. The handling of all duties and responsibilities by a single person results in the inefficiency of the SMEs. It also cropped up in this study that owner-managers of the SMEs in the craft industry at Great Zimbabwe vested their delegated responsibilities and duties in family members. The reasons for this being mainly the factor of trust and careful attention since it train the members in handling the firm in the absence of the owner.

6.1.3 Staffing

Staffing relates to the way the workers are recruited and hired in the firm. Workers have to be hired on the basis of correct qualifications and experience for the task at hand for achieving the goals and objectives of the enterprise. The study discovered that the SMEs at Great Zimbabwe craft centre in Chief Mugabe's area lack a systematic approach of recruitment and selection of employees. A systematic selection process involves calling application investigating background information of the applicants and medical tests (Hutchinson and Quintas 2008), just to mention a few.

It was established in this research that all the SMEs at Great Zimbabwe follow an informal process of recruiting and selecting the employees. The respondents indicated directly that they employ people through assistance from friends, relatives and on basis of personal-biased favouritism of the individual owner-manager. This has led those who do not possess the necessary qualifications and experience being recruited. Most of the respondents in this research pointed out that they do not consider educational qualifications and experience but mostly consider the working capacity. Those firms that hire employees have a tendency of giving some in house training on the job. The major weakness of staffing has caused unnecessary absenteeism from work without notice and abrupt resignation since the employees are not hired on permanent basis.

6.1.4 Directing

Leading means providing and making use of the physical and human resources for the benefit of the enterprise (Hortovanyi 2009). The most important features of proper management in an organisation are the provision of leadership and the motivation of the employees for the firms to maximise their profits. Motivation is the key to unlock human potential and it is the kind of leadership that is responsible for unlocking that potential from the employees. From this study it emerged that the SMEs in the craft industry at Great Zimbabwe in Chief Mugabe lack quality leadership and employee motivation. Also the enterprises do not provide training to the employees and at times reluctant to share information important for the business with the employees fearing copy catting the business by the employees. Thus in general motivation and leadership are critical deficiencies in the management of the SMEs in the craft industry at Great Zimbabwe craft centre.

6.1.5 Controlling

Controlling is the last fundamental task of the management process. From the management point of view control is the process through which organisational activities are regulated in such a way as to facilitate the attainment of planned objectives and operations (Darelle 2010). Effective control is a management process designed to keep deviations from planned activities to the minimum level so that goals are achieved with little disturbances. But in most SMEs in the craft industry at Great Zimbabwe in Chief Mugabe's area, planning for the purpose of controlling was found to not done at all. What this might imply is that the entrepreneurs in the craft industry are not aware of the importance of making plans for their businesses so that they can be in a position to correct any deviations from the plans. This reveals that the owner-managers of the SMEs in the craft industry have no sound knowledge of management. All the firms were found to be weak in the managerial knowledge.

6.2 Key management areas

6.2.1 Financial management function

Once the business is set up, finances are pivotal and the management of cash flows for sustainability is crucial (Venter et al, 2008). Financial management skills are the ability to control cash and it proved to be a major challenge to the SMEs in the craft industry at Great Zimbabwe in Chief Mugabe's area. Cash-flow management and cost price calculation remained the major challenge to these enterprises' success. Financial management is a must for any type of business. Lack of proper financial management may create problems for these enterprises. One major weakness that cropped up in this research is that the SMEs in the craft industry do not plan for future finance. They achieve targets without monthly or annual estimation of expenditure, income and profits expected. Many businesses spend money without formal calculations.

Furthermore the SMEs in the craft industry under study showed that they do not maintain systematic accounting procedures. These firms do not have corporate bank accounts and the calculations of profit and loss are not known. These firms face financial problems because they do not know proper financial management systems. Associated with the financial management challenge the SMEs in the craft industry are affected by lack of knowledge of systematic account procedures, not having trained personnel to deal with finance issues and failing to use banks for their savings.

6.2.2 Operations management function

The SMEs in the craft industry are responsible for transforming inputs from the environment into outputs to the environment (Cronje et al, 1997, Yan 2010). The production of the goods will be done for a profit hence the firms in the industry always try to maximise the level of production. It is indicative that proper management of production process enhances the profitability of the firm which is one of the major objectives of any firm. This study established that the major deficiency in production is that the owner-managers lack proper plans for the future production. Not a single firm was found with a systematic production plan. The production of the goods that are sold to foreigners who visit the famous Great Zimbabwe National Monuments in Chief Mugabe's area is done in an unmethodical system of production.

Production stocks of the SMEs in the craft industry at Great Zimbabwe were found to be very unsatisfactory as some firms had kept unnecessary stocks. It also emerged from the study that the SMEs do not recruit production personnel with the right qualification and experience in the craft industry and this result in time spend on training than on production of quality products.

6.2.3 Human resources management

Human resource management is a critical component of the management of the firm that it can be regarded as the pillar of the production function in the industry. Staffing the right calibre of employees is very essential. The current study established that personnel management in the SMEs in the craft industry at Great Zimbabwe is not properly done. When employees are employed, supervision is not done thoroughly and not motivation and employee appraisal is carried out. Training and induction to the new employees was seen as a waste of time by the managers or owners of the craft firms at Great Zimbabwe craft centre.

6.2.4 Marketing management function

The study established that there are a number of marketing related deficiencies in most of the SMEs in the craft industry at Great Zimbabwe craft centre. Venter et al (2008), established that a limited number of entrepreneurs have plans of improving the marketing of their products. It was also established in this research that the SMEs in the craft industry at Great Zimbabwe do not market thoroughly their products. In most cases the products are bought by the tourists just by chance when they visit the History Great Zimbabwe Monuments situated in Chief Mugabe's area. The entirety of the respondents in this study showed that they are not aware of the importance of marketing their craft products and all concur that they do not study the market for their products. Most of them do not possess knowledge to do so. This results in their market being very limited and forced to sell their products to those vendors who ply cross border trade in either South Africa or Botswana.

7. Conclusion

The SMEs in the craft industry at Great Zimbabwe face a plethora of management deficiencies which are automatically contributing to the poor performance and growth of these firms. It has come to light, in this study, that poor performance of the management functions by the managers and owners of the SMEs in the craft industry at Great Zimbabwe is coupled with poor performance of the key management areas of marketing, production, finance and human resources. Most entrepreneurs in the craft industry at Great Zimbabwe craft centre have the deficiency of planning, organising, leading and controlling.

8. Recommendations

Many SMEs owner-managers do not have strong accounting background. Financial information that is too technical or cannot be understood by layperson cannot be effective for SMEs. SMEs have to employ professional accountants to complete various accounting functions. They should choose an accountant who can prepare information in an easily understandable manner.

Entrepreneurship, which usually results into the formation of SMEs, is a critical area that Zimbabwean economy should try to boost. Entrepreneurship is in our best interest as a nation and it is critical to the advancement of black economic empowerment as it gives people the opportunity to create employment. There is an urgent need for the establishment of a non governmental organisation (NGO) that sits between government and business to further the cause of entrepreneurship by playing a financial and advocacy role in contributing to the discourse and debate on the state of entrepreneurship. The NGO would play a complimentary role to already existing institutions such as SEDCO, the Zimbabwe National Chamber of Commerce and the Confederation of Zimbabwe Industries who are currently supporting SMEs. The NGO will have to offer mentoring, incubation and non-financial support to emerging black entrepreneurs through specially developed grassroots interventions.

Since the SMEs are the dominant sector in the economy, most of these businesses have remained largely informal thereby limiting the sector's contribution to the growth of the economy and revenue collection base. It is against this background that there is need for the country to host an International Expo for the SMEs to exhibit their products and services to the international world.

Globally, SMEs are being hailed for their pivotal role in promoting grassroots economic growth and equitable sustainable development. In Zimbabwe, the SMEs have the potential to turn around the country's economy but the major challenge remains that of being underfinanced. The government and all sectors of the economy that are there to promote SMEs must gear up their financial support. A monitoring mechanism must be instituted by the Ministry of SMEs and SEDCO to make sure that the funds given to the SMEs are not diverted to other uses.

In developing countries like Zimbabwe the essence of the Stock Exchange has not been embraced by the SMEs. The establishment of a Secondary Stock Exchange (SSE) will help the SMEs raise working capital. The government of Zimbabwe must expedite the establishment of the SSE market for the SMEs. The establishment of the SSE market for the SMEs should not segregate the firms on the basis of size but on the basis of potential. The SSE market has the potential of raising capital for SMEs and improves the quality of the products, thus bringing it into the main stream economic matrix and allowing the government to collect taxes.

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