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Review

Repositioning Trade Promotion Organisations (TPOs) as Engines of Economic Development: The case of Zimbabwe

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This study sought to examine the role played by Trade Promotion Organizations (TPOs) in promoting trade towards sustainable trade in Zimbabwe. Constraints being faced by Small and Medium Enterprises (SMEs) in import and export business were also unearthed by this research. The study was motivated by failure of most local entrepreneurs to explore international business as evidenced by the unfavourable balance of payments and low Gross Domestic Product (GDP). The study was conducted in Harare, Zimbabwe. Purposive sampling technique was used to select respondents for the study. Structured questionnaires and interview guides were used as data collection tools. The study found out that TPOs play a major role in promoting exports by helping both exporters and importers to clear their goods since some of them do not have adequate knowledge and expertise pertaining to the importation and exportation of goods and strengthening diplomatic relations amongst Zimbabweans and other trading partners in the world. The study also found out that an unfavourable economic and political environment characterized by shortage of foreign currency in circulation and political uncertainty respectively pose major threats to exporters, importers, and TPOs in achieving their goal towards promoting trade amongst nations. The study recommends that there should be collaborative research between TPOs and academic institutions so as to make informed decisions and continuous inflow of skilled labour from these tertiary institutions. The study further recommends that there must be a clear and sound policy and regulatory environment which deters any corrupt activities and other unethical practices by procurement professionals and law should take its stance in punishing perpetrators in international business.

Key words: Small and Medium Enterprises, Trade Promotion Organisations and Strategic role.

INTRODUCTION

Zimbabwe has several private and publicly controlled Trade Promotion Organisations. Such organizations include Shipping and Freight Forwarding Agents Association of Zimbabwe (SFAAZ), Zimbabwe Revenue Authority (ZIMRA), Reserve Bank of Zimbabwe (RBZ), National Chamber of Commerce (ZNCC) and ZIMTRADE. According to Gono (2008) TPOs strengthen the country's trading relations with the international community but facilitating trade agreements that allow Zimbabwean traders to have a competitive advantage.

Advances in trade liberalization have created new opportunities for industry players to exploit; however, SMEs have been unable to explore these benefits due to limited human and institutional capacities which hinder them to survive from foreign competition. A well supported SMEs sector is critical for poverty alleviation in developing economies (World Bank, 2002) as it accounts for more than 60% of employment creation in Zimbabwe hence pivotal for generating significant domestic and export earnings. A call has been made to TPOs to oil in the existing environment by continuously assisting SMEs to better meet the challenges faced in the global competition to gain competitive advantage. According to a study by Organisation of Economic Co-operation and

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Development (2004) SMEs are particularly constrained by non-competitive real exchange rates, limited financial access, complex legal and regulatory environment and poor state of infrastructure. Moreover, with the aid of TPOs, SMEs might be able to take advantage of trade and investment opportunities to reap the benefits of the international trading system. TPOs play a pivotal role in dissemination of information on export market, providing assistance for SMEs in export marketing, legal assistance and further assistance in export financing (Belloc and Di Maio, 2011). The global environment requires SMEs to gain both a comparative and competitive advantage to enable them to respond quickly and efficiently to international market demand and supply patterns to take advantage of trade and investment opportunities to reap benefits of the international trading system hence the need for TPOs to pave way for emerging markets. This research paper discusses the role of TPOs in strengthening SMEs export capabilities from a Zimbabwean perspective and further make feasible recommendations on how Zimbabwean SMEs can exploit opportunities created as a result of globalization and trade liberalization.

LITERATURE REVIEW

Small and Medium Enterprises

It should be noted that there is no universal definition of SMEs since the term is heterogeneous in nature and usually vary by country specifics. SMEs are usually found in a wide range of spectrum of commercial activities which include timber processing, furniture manufacturing, agricultural processing firms, restaurants, transport providers and many more. They are characterized by low level of skills, capital projection and less sophisticated technological infrastructure. According to Mead and Lieholm (1998) and World Bank (2003) a standard definition of the latter views small enterprises as those formal sector entities with up to 50 employees and total annual sales up to US\$3 million. However, from the Zimbabwean perspective, the Ministry of Small and Medium Enterprises and Co-operative Development (2000) defines the term as those enterprises that are legally registered and employing six to hundred (100) workers.

Exporting constraints facing SMES in Zimbabwean Manufacturing Sector

According to Webdev (2012), cumbersome customs practices and inefficient trade logistics are the major obstacles for SMEs participation in global trade. Apart from customs procedures, another challenge noted is the scarcity of reliable trade intelligence on the market. In this

competitive world order, SMEs should stay abreast of competition in their current markets and scan opportunities. Webdev (2012) notes that trade facilitation and promotion through organizations like ZimTrade, Trade fairs and line ministries is the answer to such problems. Trade facilitation would cover all steps taken to smoothen and facilitate the flow of trade which essentially relates to border procedures such as customs, port procedures and transport formalities.

The role of TPOs in promoting SMEs export capabilities within the global market

Promoting SMEs involves addressing factors that hinder their success (Webdev, 2012). According to Malherbe (2012), the greatest challenges being faced by SMEs are poor management of financial activities which constitutes of lack of management competence, poor book keeping, sales and marketing problems. Bonga (2010) notes that TPOs play a major part in helping SMEs develop business and management skills whilst at the same time encouraging them to maintain business records as it offers assessment and help them to detect their growth path. According to Bonga (2010) focus when helping SMEs should be on exploring sector specific knowledge, efficient processing of products that meet standards and legal requirements and integrated technical assistance. He further adds that business starter packs should be developed and issued to various economic participants to help them manage their business skills.

According to the Zimbabwe National Trade Policy (2012-2016) the government made a commitment to enhance trade facilitation to expedite trade flows by streamlining and simplifying customs procedures, eliminating customs delays and improving customs administration. According to Webdev (2012), lack of assistance offered by TPOs leads to business paying the price of slow, unpredictable delivery and even loss of business opportunities.

Practical strategies that maybe adopted by SMEs to survive in the prevailing global competition

As a result of current regional integration and formations of unions, opportunities to export have risen. (Bonga 2010). Bonga (2010) also encourages SMEs to embark on joint ventures to market their products together since their output is small.

According to Chichoni (2012), when brutal competitive business environment meets a soft economy, entrepreneurs find themselves like lions in the dry Serengeti. It is no longer business as usual but fresh strategies are needed to survive. The author highlights that when it gets tough, SMEs should embark on extensive marketing and advertising efforts rather than

seek to cut costs.

RESEARCH METHODOLOGY

Robson (2002) defines a case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. Morris and Wood (1991) add that the researcher gains rich understanding of the context of the research process being enacted hence this study adopted a case study method of SMEs firms in import and export business. The researcher's target population was however focusing on all SMEs firms in export business. The data collection methods used in this research were questionnaires and interview guides. The questionnaire was used to collect data from Entrepreneurs in export business whilst interview guides were used to collect data from officials of TPOs. Research assistants were engaged on data collection stage so as to engage as many exporters as possible.

RESEARCH FINDINGS AND DISCUSSION

The study found out that most enterprises in import and export business were failing to be competitive in the international business because of lack of information on foreign markets. TPOs are very effective tools of promoting trade but most TPOs were failing to meet their objective of helping exporters with adequate knowledge on foreign markets. Lack of marketing intelligence was another factor affecting SMEs in international business. Most entrepreneurs in the sector were waiting for tourists to buy their wares yet they should also take the products to international markets. TPOs were also not playing their role of linking entrepreneurs in the sector with relevant markets the world over. Export procedures were also very cumbersome in such a way that these exporters were losing a lot of money bribing corrupt officers for the goods to leave the country without the necessary documentation. Bad image of the country was another reason why some of the entrepreneurs were failing to secure markets for their goods.

Policy recommendations towards promoting SMEs involvement in exports Markets

There is need for Zimbabwe to automate its customs procedures so that the process becomes efficient and less costly to local SMEs (Webdev 2012). The author went on to highlight how Zimbabwe customs formalities are a hindrance to SMEs' involvement in International markets. As highlighted by Webdev, exporting from Zimbabwe requires several documents which may take

53 days for the process to be completed and it costs US\$ 3 280.00 per standard container. Comparisons with other global players show that in France one requires only two documents for export and import while in China it only takes five days to export and in Malaysia, it only costs US\$450 to export a standard container. Trade fairs should be used as platforms for entrepreneurs in international business to advertise their goods. TPOs should also be manned by people with experience and technical knowhow of the international markets. These exporters should also be given export incentives so that their products will be competitive on the international market.

If SMEs find advertising and extensive marketing expensive, they should do target marketing, use the internet which has equalized the playing field and advertise to target audiences. Traditional marketing approach of advertising to everyone with the hope that some might respond is wasteful and not recommended for SMEs.

The other strategy is for SMEs to use the internet to market their products. They should ensure that when customers go on Google in search of a product line, theirs must be found which is ideal for SMEs in Zimbabwe because the costs of maintaining online visibility are low.

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