

An Integrated Strategy for Small and Medium Enterprises (SMEs) Leads to A Revitalisation and Growth of the Ailing Zimbabwean Economy

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Abstract: This paper sought to establish that small and medium enterprises (SMEs) could be the solution to the national economic problem of stagnation and decline, if they conglomerated and crafted one broad strategy. The SMEs sector in Zimbabwe constitutes 70% of economic activity, employs more than 60% of the labour force and contributes an average 50% to gross domestic product according to the 2013 National Budget. For these reasons, the government acknowledges and recognises the SMEs sector as an engine for economic growth and development according to the National Micro Small and Medium Enterprises National Policy Framework 2014-2018. The study revealed that most people ventured into SMEs as a strategy to supplement their meagre incomes; and capitalised on the downfall of big companies. The researchers used the qualitative paradigm for the study to allow participants to express themselves without limitations through interviews and focus group discussions. The paper discussed strategies used in SMEs sectors by different countries to contribute towards economy rejuvenation, economic growth and development. However, the researchers realised that in spite of support by government and political will, there was no consolidated and coordinated strategy for SMEs in Zimbabwe hence some SMEs were not aware of efforts that were being made by other stakeholders such as councils and banks to help them survive and grow which could enable them to fully contribute to the recovery of the economy. The participants blamed this on poor networking and communication among stakeholders. The participants proposed that a council based consolidated SMEs register should be compiled concurrently with a register for all potential benefactors of the sector. The SMEs register should be accompanied by sector based business strategies while that of benefactors should include the sector specific assistance offered. The main pillars of the proposed SMEs integrated strategy were that each SME could have a well-crafted Business Strategic Plan drawn from the National SMEs Strategic Plan guideline; cost structures could be reviewed with a view to reduce costs of production and doing business; targeted support, which is sector and business specific, must be offered; and an SMEs corporate governance framework could be developed.

Keywords: integrated, strategy, rejuvenation, consolidated.

1. INTRODUCTION

According to Mugano (2015), there is evidence that the relative importances of Small to Medium Enterprises (SMEs) and the informal sector, or shadow economy, are inversely associated with economic growth. The current study sought to show that the importance is not just nominal, or theoretical, but a reality that should receive due recognition and appreciation, as SMEs are the engine of economic rejuvenation and growth. The SMEs should be directed, guided and scope by an integrated strategy to be real engines of economic growth and rejuvenation. The closure of big business and the sprouting and proliferation of small to medium enterprises is a response to the folding of big companies; operating costs kept rising and hurting big companies to the point that it was no longer sensible to continue doing business. In other words, the rising costs forced many companies to close shop and the small players, who could keep their costs relatively low, got into business and in time started to fill the void left by big business. Where big business occupied large offices and office

blocks small enterprises could produce their goods and services in small or confined areas, at minimal cost. Where big companies paid a foot and a hand to distribute their produce, the small enterprises used a bicycle or a small delivery van. Where the large companies spent huge sums of money to pay for infrastructure, the small players used back yards and communicated through social media and used the same means for marketing purposes. This paper sought to establish that small to medium enterprises could be the solution to the national economic problem of stagnation and decline, if they conglomerated and crafted one broad strategy.

1.1 Background to the study:

SMEs are an amorphous conglomeration of business entities in all shapes and sizes; there is hardly any agreement among the different stakeholders on what they call a small and medium enterprise (SME). This diversity in SME definition compounds the challenge of formulating one strategy for all of them that could lead to the growth and development of the sector. The paper sought to explore the possibility of formulating such a strategy giving the general parameters, or principle that could guide the SMEs in crafting the strategy.

Wikipedia (2016) defines Small and Medium Enterprises (SMEs) as those businesses whose employment figure falls between certain country prescribed limits and whose income does not exceed certain limits. The SMEs are usually not formalised into the formal economic sector. This means they usually do not pay taxes because they are not registered with the national regulatory bodies; they do not enjoy the presence in the economy of appropriate legal and regulatory frameworks and the benefits of operating in a formal environment. The abbreviation SME was credited with the European Union, which gave it currency, together with the World Bank, the United Nations and the World Trade Organisation that popularised the acronym. These organisations believe that SMEs are at the forefront of innovation and competitiveness in multiple sectors of the economy, if properly recognised by state governments.

In Egypt most businesses are small and 97% of them employ less than ten workers each, according to Wikipedia (2016). The medium enterprises employ between ten and fifty workers, which account for 2.7% of national business. In Kenya the term used is micro, small and medium enterprises (SMMEs). The micro enterprise employs up to ten workers; the small enterprise can employ up to fifty workers; and the medium enterprise employs from one hundred and fifty to a thousand workers. The Nigerians define small to medium enterprises according to an asset base and the number of people employed; the asset base should be equal to or less than N5 million, and an employment figure of a hundred people or less. The SMMEs in South Africa employ less than two hundred people, enjoys an annual turnover of less than R64 million, have a capital base that is below the R10 million, and there should be direct involvement in managerial issues by the owner. In the European Union, the micro enterprise employs less than ten people, the small enterprise employs less than fifty workers and the medium-sized enterprise employs less than two hundred and fifty workers. The micro enterprise has a turnover of less than two million Euros and a balance sheet of less than two million Euros. The small enterprise has a turnover of less than ten million Euros and a balance sheet total of less ten million Euros and a medium-sized enterprise has a turnover of less than fifty million Euros and a balance sheet total of less than forty-three million Euros. In the UK an enterprise qualifies to be an SME if it meets two of three criteria: which are; the enterprise should have a turnover of less than 25 million pounds, less than two hundred and fifty workers and a gross asset base of less than twelve million five hundred pounds.

In Zimbabwe the definition of an SME is derived from the SMEs Act (Chapter 24:12) which specifies that an SME should not be a branch or subsidiary of a large organisation but can be a licensee or franchisee and should be legal institution or entity. The number of permanent workers, capitalisation excluding fixed assets, turnover and sector of operation are the characteristics considered for classification of SMEs in Zimbabwe in line with international standards. The act, however, acknowledges the existence of informal SMEs, which are not registered under any authority. The SME sector in Zimbabwe constitutes 70% of economic activity, employs more than 60% of the labour force and contributes an average 50% to gross domestic product according to the 2013 National Budget. For these reasons, the government acknowledges and recognises the SMEs sector as an engine for economic growth and development according to the National Micro Small and Medium Enterprises National Policy Framework 2014-2018.

1.2 Research methodology:

The researchers preferred the qualitative paradigm (Creswell, 2009) for the study because it allowed participants and analytically express themselves without limitations as the researchers sought to explore the strategy that could be adopted for SMEs to rejuvenate the Zimbabwean economy. The qualitative approach also enabled the researchers and participants to share experiences and opinions.

1.3 Population:

The population in this study comprised all SMEs operating in Zimbabwe.

1.4 Instrumentation:

The study engaged participants in interviews and focus group discussion where they gave their ideas on what they viewed as the suitable strategy that could be adopted by SMEs to become engines of economic growth and revitalise the collapsing Zimbabwean economy. These instruments were in tandem with the qualitative paradigm adopted by the researchers.

1.4.1 Interviews:

Shuttleworth (2009) defines an interview as a conversation or meeting in which a writer obtains information for research purposes. The interview guide questions were open-ended questions. This gave the participants the opportunity to express their opinions and perceptions since participants were not limited to giving restricted answers as in close-ended questions. According to Creswell (2009), in interviews, research participants are available and the techniques would allow the researcher to probe more deeply, and the researcher could pursue a topic that they initially did not expect to address. Interviews, therefore, enabled the researchers to have a broader approach in designing a strategy that could ensure that SMEs contributed to the revitalisation and growth of the Zimbabwean economy.

1.4.2 Focus group discussion:

A focus group is a data generation tool in qualitative research in which a group of people express about their perceptions, opinions, beliefs and attitudes towards a product, service or issue (Patton, 2002). In this case, the participants gave their opinions on the designing of a strategy that could ensure that SMEs contributed to the revitalisation and growth of the Zimbabwean economy. This was an appropriate data collection tool because questions were asked in an interactive group setting where participants were free to talk with other group members guided by open-ended questions. The researchers managed to extract insights that were less accessible without interaction found in a group setting (Baker, 1999). The participants were able to listen to others, verbalised experiences, stimulated memories, ideas and experiences. The researchers found out that focus-group interviews as a method of data generation, was socially oriented, studying participants in an atmosphere more natural than artificial experimental circumstances and more relaxed than a one-to-one interview, Marshall and Rossman (2006). In this regard, the focus group discussion adequately complimented the interviews that were carried out by the researchers.

2. REVIEW OF RELATED LITERATURE

The researcher considered literature from researchers who generated participants' experiences of working in SMEs and with a variety of entrepreneurs. These enabled the researcher to understand the concept of SMEs and to be able to draw the difference between SMEs and other business entities in an economy. The researchers considered how SMEs operated in other countries and their strategies were identified with a view to guiding the current study in formulating a master strategy, guided by participants in this study. Insights into strategies employed in other countries were accessed and used in making this study a compelling piece of reading, rich in content and keen in accessing findings from data generated from participants by fellow researchers.

2.1 Conceptual framework:

Nevin (undated) gives a graphic definition of small to medium enterprises, as seen through the eye of the South African economist. Nevin (undated) quotes the Southern African Regional Poverty Network (SARPN), which talks of a South African economy split into two economies, as illustrated in the table below. The writer named these two economies the corporate economy and the SME economy, for ease of reference.

Table 1. Differences between the two economies

Corporate economy	SMEs
Modern and integrated with world economy Provides bulk of nation's wealth	Under-developed, isolated from corporate economy. Contains large percentage of both urban and rural people Contributes little to national wealth
Enjoys peculiar strategies	Enjoys its own informal strategies Transformation of SMEs requires transfers from corporate economy

Unsustainable without integration of SME economy	May not grow without integration with corporate economy
Corporate strategies are employed to grow the corporate economy	Growth and development strategies include rural development, SME and cooperative development, black economic empowerment, expansion of micro-credit, expanding the public works programme, learnerships and internships for the unemployed, improvement of the education system to provide useful skills, the training and deployment of community workers given to grow and develop the economy.

Nevin (undated) quotes the former South African President Thabo Mbeki who said that the SME economy represented a structural manifestation of poverty, underdevelopment and marginalisation in South Africa. This view does not need perpetuation because SMEs engines of growth and development in a country like Zimbabwe where the corporate economy has collapsed.

2.2 Theoretical framework:

The theoretical framework is adopted from the Organisation for Economic Co-operation and Development (OECD), whose members agreed on a model of three pillars that should be attained for a country to achieve economic growth and development, pioneered by SMEs. According to the OECD (2004), the rate of economic growth in any country is determined by the satisfaction of the three individual pillars. The three-pillar model is composed of:

1. The SME's ability to attract and sustain government financial assistance
2. The SME's capability to integrate its operations into the world economy through trade and investment
3. The ability of the government to engender an economic environment in which it is conducive to operate and in which contracts can be enforced and property rights can be respected.

The model acknowledges the existence of supply-bottlenecks in the trade and investment area, which the government should sort out, with the assistance of development partners and the private sector. Left unattended, these constraints could negatively impact the economic growth potential of the small to medium enterprises.

However, OECD (2004) is cognisant of a few pertinent issues concerning the growth and development of SMEs, relative to their size on the world market. These entities are constrained by real exchange rates, the scarcity of finance, the challenges posed by bureaucratic processes in setting up and growing a business and the poverty endemic in infrastructure, coupled by the absence of effective organisational structures. The removal of these constraints could usher in an environment conducive to the development of SMEs.

2.3 Formal SMEs:

In some countries, especially in Zimbabwe, most SMEs are not formally registered to work for a variety of reasons. The formalisation of SMEs is in three areas:

1. **Registration and taxation:** fees for official registration should be affordable, not punitive and the registration process should be simple
2. **Appropriate legal and regulatory frameworks, including:** regulations should be enforceable, respect property rights and should make public space accessible
3. **Benefits of operating formally:** there is access to cheap or affordable finance and market intelligence; and,
 - social security should be available;
 - SMEs should be able to join formal business associations;
 - there should be clarity on how to deal with bankruptcy and other operational problems;
 - there should be a limit to enforceable liability;
 - SMEs should be able to access government incentives, subsidies and procurement bids; and public infrastructure.

2.4 Benefits accruing to registered SMEs:

The major beneficiary of registration is the SME employee. Employees are protected and recognised by law and they have the freedom to join professional and trade unions and associations. They enjoy a minimum wage protection and enjoy the freedom to enter into collective bargaining with the employer and to form or join labour groups. They enjoy the freedom from discrimination; and the ability to contribute to medical associations and be protected from harm at work.

The European Union's assistance and support for SMEs anchored other forms of assistance by national governments could be drawn and compared, not because of the generosity of the assistance but because of the scope of the assistance and support. In Europe, an SME accrues a number of benefits, which include the creation of a business friendly environment by government and through an Act of Parliament. It benefits from the promotion of entrepreneurship, through extensive education and support with equipment and an improvement in access to new markets and internationalisation, by exposing SMEs to cross border activities. SMEs access to finance by providing information on sources of funding and enhancing the funding environment and support for SMEs with a policy that encourages competitiveness and innovation. They access the provision of information and support networks, through the provision of a business guide, information on markets and marketing issues, legal issues, business partnerships intelligence and financial sources by EU.

Muscio (2006) refers to the importance of small enterprises in order for them to absorb and use external knowledge; this is knowledge from other small enterprises. The study by Muscio (2006) stresses the importance of the adoptive capacity of small enterprises and how this capacity can be created and accumulated through research and development (R and D) effort of an SME, its capability to collaborate with fellow SMEs and with universities that have technology transfer centres. The study also recognises that interaction plays a critical role in fostering innovation among different organisations, like small to medium enterprises.

The Department of Trade and Industry in South Africa (2005:6) set out a number of key objectives for its small, medium and micro-enterprises (SMMEs), which include:

1. Increase the contribution of small enterprises to the growth of the South African economy,
2. create an enabling environment for small enterprises with a level playing field between big business and small enterprises, that reduces the disparities between urban and rural enterprises and is conducive to entrepreneurship,
3. create sustainable long-term jobs in the small enterprise sector,
4. ensure equitable access and participation in terms of race, gender, disability, age, geographical location and sector,
5. increase the competitiveness of the small-enterprise sector and its enabling environment so that it is better able to take advantage of opportunities emerging in national, African and international markets.

A strategy crafted by SMEs should reflect these objectives.

The South African SMMEs are founded on three strategic pillars, which are:

1. The promotion of entrepreneurship
2. Creating an enabling environment within which entrepreneurs can do business and thrive
3. Increasing the level of competitiveness and capabilities at the level of an enterprise

The Department of Trade and Industry (2005) gives the following reasons in order to explain why the pillars were constructed, which were:

1. The strengthening of the national awareness of the essential role of entrepreneurship
2. A maintenance of the sensitivity of small business to regulations
3. Enhancement of managerial, business and technical skills
4. The promotion of an alternative focus on business ownership
5. Improving access to financial resources
6. Enhanced quality, productivity and competitiveness

7. The expansion of franchise opportunity
8. Strengthened access to markets through procurement, exports and business linkages and networks
9. Facilitate technology transfer, incubation and the commercialisation of business services
10. Business associations should be strengthened
11. Initiate the availability of business infrastructure and locations
12. Improve the effectiveness of the support for SMMEs
13. Enhanced enterprise support effectiveness

2.5 Experiences in crafting a strategy:

OECD (2004) advocates the adoption of a unique strategy for all SMEs: a strategy that cuts across many areas. The strategy should incorporate the government's ability to construct and implement sound macroeconomic policies that support the SMEs; business partners should be able to develop microeconomic business environments, which include easy access to financial resources, a practice of good governance and an enabling regulatory environment. Other components of the strategy could be skilled and well-educated labour, supportive public and private business partners where SMEs are able to operate competitively in the national economy. OECD (2004) says a broad single strategy should encompass an integration of women and the rural populace into its structures, engage in extensive dialogue with all stakeholders to make them appreciate the activities and pursuits of the SMEs and to ensure they avail continuous training and re-training to their workforce.

The finding by Singh, Garg and Deshmuk (2010) is that a winning strategy should include a cost reduction component, a quality improvement component and a delivery component in the institution. In the same research, they indicate that a winning strategy should consider the roles of market reach, employee welfare and research and development, normally referred to as Research and Development (R&D). An organisational strategy should be crafted against the background of an analysis of the business environment, normally referred to as environmental scanning, and the institution should judiciously utilise its resources, which should be reflected in the strategy employed.

Shields and Shellman (2015) cite the World Commission on Environment and Development, (1987) definition of sustainability as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". They say that in order to achieve sustainability, an SME should craft a strategy on the basis of a clear institutional strengths, weaknesses, opportunities and threats (SWOT) analysis, an examination of relevant data and information and an evaluation of the potential magnitude and importance of real issues facing the SME.

According to Crema, Verbano and Venturini (2014), institutions that pursue an innovative strategy need to invest in technical skills and sharpen their core competences. Their research findings were that an SME that pursued a diversification strategy was likely to exclusively use managerial practices of open innovation while an SME that employed a strategy based on efficiency are likely to use open innovation practices and the development of core competences.

In a research on SME strategy formulation, Al-Ansaari, Y., Bederr, H and Chen, C (2015) revealed that successful SMEs pursued market orientation strategies, which improved business performance, compared to those that sought a technology and alliance orientation.

The South African government decided to build an SME strategy based on the principle of integration; the bringing together of all institutions into one basket of small-enterprise development; these are bound by a co-operative approach among many co-operators. The principle is built on three strategic actions. The first is the increased access to financial support, through collaboration that streamlines resources from the public sector without crowding out private resources. Second, the creation of market demand for SME goods and services, through policy on public sector procurement and adoption of the Black Economic Empowerment (BEE) codes of good practice. The last is the reduction of SME regulatory requirements, through the establishment of a regulatory impact assessment framework and the institution of monitoring mechanisms (Department: Trade and Industry (DTI), Republic of South Africa).

Hyland (2013) gives a graphic description of growth and likens it to the growth of a business venture. Growth and development are a natural adaptive process that occurs naturally if placed under favourable growth conditions. This is similar to the process of human growth and should be understood in that context, growth passes through infancy, childhood, adulthood and maturity. In a similar way, most SMEs start at the micro level and can go through a period of

rapid growth. However, the rate of growth differs from one business to the other. Hyland (2013) believes some micro businesses never grow beyond the medium stage, unless they are assisted through resource and regulatory support. Hyland (2013) gives growth strategies as occurring through mergers, acquisitions, takeovers and the natural progression of development

A perceptive article by Singh, Garg and Deshmukh (2008), points out that an SME should focus on all aspects of an organisation's functions, like strategy development, processes and performance and assets, in order to achieve its objective. They believe that for an SME to be competitive in the product and services market it should have clarity in its mission, it should develop its human capital in a proactive manner, and at the same time develop its competences in order to be successful in a market where customer requirements are volatile.

According to Harvie and Charoenrat (2015), the major strategy of SMEs should be to join and exploit opportunities in the global value chains, which exposes the SMEs to a large customer base and to opportunities to engage and survive in sectors of the global markets that are contested. However, these value chains present huge challenges, like failing to establish themselves and miss the huge markets; global markets are risky spots. Yuhua and Bayhaqi (2013), cited in Harvie and Charoenrat (2015) state that a global value chain strategy, which allows a participation in global production networks, bequeaths benefits to the SMEs that include:

- Enhanced technical capacity,
- Demand for existing products and services are increased, leading to an increased utilisation of
- Operational capacity and the efficiency of production is improved.
- Upstream and downstream cooperating with SMEs, creates prestige, increases access to funding
- Options, attracts foreign investors and human resources.
- SMEs are exposed to a gradual and sustainable direction to internationalisation

3. FINDINGS OF THE STUDY

The study revealed that most people ventured into SMEs as a strategy to supplement their meagre incomes, source of steady income after retrenchment and retirement, source of income for those who were unemployed and some who had never been employed in their lives and motivation from black empowerment advocacy. The majority were capitalising on the collapse of the large corporates or companies that they worked for but had downsized or collapsed due to the harsh economic conditions experienced in the country. Former workers who had taken over the clients they serviced when they used to work for the corporates formed such SMEs. Examples that were cited included the stationery and plastic packaging sectors where sales agents had slowly taken over clients from their paymasters and eventually formed SMEs. Techniques used to takeover business from employers included diversion of orders placed by customers to the emerging SME, which could be operated, by relatives and friends.

Policies, aimed at supporting SMEs and political will, existed as evidenced by the efforts of government through the Ministry of Small Enterprises and Cooperatives and promulgation of SMEs Act Chapter (24:12). SMEs were quite aware of these efforts. There was, however, low commitment in terms of implementation of the policies and lack of funding was cited as the major challenge to their wholesale implementation.

The participants indicated that there was little or no difference between the costs of establishing of an SME and corporate company especially in terms of licencing requirements, and company formation costs. Stringent measures that were required for corporates were also applicable to SMEs, for example, health conditions, building requirements etc. This also helped to explain why the majority of the SMEs chose to remain unregistered and unlicensed thus leaving them perpetually stuck in the informal sector where they were often labelled as economic saboteurs.

Since most of the retrenchees found themselves in business unintentionally or due to circumstances beyond their control, they did not have a business strategy or strategic plan. Unfortunately, most participants, who were aware of the existence of the national SMEs policy framework, lacked knowledge on its actual content and degree of implementation hence their own strategies were in most cases not aligned to the national policy framework. There was no consolidated and coordinated strategy for SMEs hence some SMEs were not aware of efforts that were being made by other stakeholders such as councils and banks to help them survive and grow. The participants blamed this on poor networking and communication among stakeholders.

The researchers discovered that there was no integrated and consolidated register of all MSMEs in Zimbabwe. There were disintegrated efforts from various sectors to register SMEs with most business owners afraid of registering for fear of being defrauded being trapped by regulatory authorities such as the Zimbabwe Revenue Authority.

4. PROPOSED STRATEGY: INTEGRATED SMEs STRATEGY

The proposed strategy for SMEs must fully support the revitalisation of the Zimbabwean economy is an integrated SMEs strategy. What needs to be done and how it can be done is elaborated in the proposed systematic strategy below:

1. An all stakeholder consultative conference coordinated by the Ministry of Small and Medium Enterprises and Cooperatives to highlight the need for an integrated SMEs strategy. All stakeholders should be represented for wider and intensive consultation. One of the outcomes of the conference should be to encourage SMEs to register and agree on formulation of sector based SMEs committees from council level to national level.
2. A consolidated register of all SMEs by sector should be compiled. The compilation of the register should start at council level since councils have jurisdiction over businesses in their areas. Sector based SME committees should then be formed from the council level to the national level. Sector committees should assist the council. The register should be compiled by sector and size for easier classification. The main challenges and expected support for each enterprise should be highlighted for consolidation into sector-based strengths, weaknesses, opportunities and threats. The register should be accompanied with sector based strategic plans at each level that is from council to provincial level. This would facilitate the development of an integrated national SMEs strategy.
3. The register can be cascaded upwards from council to district and then province before it goes to the consolidated national register. This would be feasible since these structures already exist and can, therefore, be taken advantage of.
4. A register of benefactors of the SMEs sector should be concurrently compiled highlighting sectors they wish to assist, form of assistance they are prepared to offer and terms thereof. The government would offer to assist sectors that had no potential backers.
5. Based on this information sector based strategic plans should be developed using the council to national level channel.
6. A national consolidated strategic plan is compiled. It can be presented as feedback to the consultative SME stakeholder conference for ratification.

The pillars of the integrated national SMEs strategy should include the following:

1. Each SME should have a well-crafted Business Strategic Plan drawn from the National SMEs Strategic Plan guideline. The business plans should have vision, mission, and SWOT Analysis and Implementation plan. Experts can assist SMEs.
2. Cost structure review with a view to reduce costs of production and doing business. Various input costs should be reviewed including fuel, cost of finance and costs of establishing an SME business like registration and licensing. A review of taxation policy would also be required as a way of reducing costs and encouraging SMEs to formalise their businesses.
3. Targeted support, which is sector and business specific, must be offered. Now there is general support that does not take cognisance of sector and business specific requirements. For example, targeted financial packages and big corporates nurturing SMEs for a given period until they can stand on their own.
4. Targeted support, which is sector and business specific, must be offered. This should include a deliberate shift in public sector procurement policy towards preference for SME products and services.
5. An SMEs corporate governance framework considering that SMEs have their own unique set ups that include family centred operations and accounting procedures. These have a bearing on how human resources related issues may be tackled and accounting regulations such as tax compliance audits may be carried out.

The proposed integrated SME strategy ensures that no small or medium enterprise is left behind and each enterprise assists in the recovery and growth of the ailing Zimbabwean economy.

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