FACULTY OF COMMERCE

IMPACT OF COMMERCIALISATION ON STATE ENTERPRISES IN ZIMBABWE

BY

WESLEY COLLEN MVUMI
[R984174L]

A DISSERTATION SUBMITTED TO THE FACULTY OF COMMERCE, BINDURA UNIVERSITY OF SCIENCE EDUCATION IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE MASTERS IN BUSINESS LEADERSHIP [M.B.L]
Declaration

I Wesley Collen Mvumi do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any university.

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Wesley Collen Mvumi(student)

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Mr. R Chuma (Supervisor)

Date: .................................................

ABSTRACT
This study sought to investigate the impact of commercialization on state owned companies. The government of Zimbabwe that came to power in 1980 embarked on a socialist or communist ideology. The adoption of a communist ideology saw the state running the economy as a command economy. Prior and after independence these nationalized firms or parastatals relied heavily on the fiscus for funding their operations and thus causing budget deficits to the central government. The study focused on Agricultural Marketing Boards and was guided by the following objectives; -

1. To establish whether the commercialization of parastatals was successfully implemented.

2. To reveal the factors that affected the implementation of the commercialization programme.

3. The researcher sought to establish the benefits that were realized as a result of the commercialization process for the parastatals themselves and the nation at large.

4. The researcher also wishes to establish whether the commercialization process was effective in turning the fortunes of the entities that were commercialized.

The researcher employed the descriptive survey research design as the conceptual framework of the study. The population of the study consisted of two major groups, namely 37 Senior managers/Executives from GMB, Cottco and Dairiboard and 87 farmers in the farms surrounding Harare. The study employed the systematic sampling design to select a sample size. There was a ninety three percent (93%) return rate of all the questionnaires, which were distributed and collected by the researcher. Questionnaires and interviews were used as the main data gathering instruments and the data was analysed presented in the form of figures, texts, tables and charts.

a. Major findings of the study were that GMB was not fully commercialized whilst CMB and DMB were fully commercialized.
b. Commercialization was a good strategy for turning around the fortunes of state owned enterprises.

In view of the above findings the study recommended that:

In order to enhance the success of the commercialization process and minimize the impact of the various challenges, firms which commercialize should develop a communication strategy that seeks to clearly define deliverables in the implementation plan and setting targets for the stipulated deliverables.

For the effective turnaround to be achieved through commercialization the entity that would have been commercialized should then be privatized to give it the leeway to operate commercially with little or no political interference. There should be capital injection into the entity being commercialized. This can be achieved through joint ventures or privatization but the government should allocate a vote from the fiscus to the firm to be commercialized in order to put the implementation process into motion.

All the other SOEs that have not yet been commercialized be commercialized for the good of the nation.
Chapter 1

1.0. Introduction

Zimbabwe, like many developing countries, has experienced low levels of economic growth and increased unemployment in the last decade. The growth rate in real GDP averaged about 2.7 per cent per annum between 1980 and 1989 and this is relatively low compared to the population growth rate of about 2.8 per cent in the same period. The budget deficit has increased since Independence resulting in difficulty in servicing the internal debt. Some of the reasons for this situation include: government spending on goods and services, such as health and education and roads. However, of concern is government spending directed at providing subsidies to state owned enterprises or parastatals. The average growth rate of subsidies to parastatals between the fiscal years 1981-82 and 1992-93 was 21.2 per cent, a relatively high growth. Government embraced commercialisation as a way of winning off parastatals from depending on the central government.

Whilst commercialization was seen as the panacea to the problems facing parastatals the researcher is going to critically examine the impact of commercialization on State owned companies. An investigation will be made on whether commercialization managed to reduce government expenditure on parastatals as initially intended. The researcher will outline the research questions, research objectives, delimitations, limitations and assumptions. Chapter two will focus on the relevant literature that will assist in unraveling issues surrounding commercialization as a turnaround strategy whilst chapter three will focus on
methodology. Results will be presented in chapter four and chapter five will provide a conclusion and analysis of the findings.

1.1. **Background to the Problem**

The government of Zimbabwe that came to power in 1980 embarked on a socialist or communist ideology. The adoption of a communist ideology saw the state running the economy as a command economy. Prior and after independence these nationalized firms or parastatals relied heavily on the fiscus for funding their operations and thus causing budget deficits to the central government. For instance, the 2011 National Budget shows that six public entities, namely Air Zimbabwe, Agribank, National Oil Company of Zimbabwe, Cold Storage Company, TelOne and Grain Marketing Board, registered interim losses to October of US$46.4 million as operational costs rose to US$250 million in the period under review. At the time the Economic Structural Adjustment Programme (ESAP) was introduced in 1991 the budget deficit was 10% of the Gross Domestic Product (GDP) and one of the objectives of ESAP was, as stated by Chidakwa and Kadenge (2004:186), the "Reduction of central government deficit from 10% of GDP to 5% by the fiscal year 1994/95."

There are a number of such firms which operated under direct government control. These include the Grain Marketing Board (GMB), the Cotton Marketing Board (CMB), the Dairy Marketing Board (DMB), Cold Storage Commission (CSC), Agricultural Marketing Authority (AMA), Zimbabwe United Passenger Company (ZUPCO), the Post and Telecommunications
Corporation (PTC), the Zimbabwe Electricity Supply Authority (ZESA) and the Agricultural and Rural Development Authority (ARDA). These organisations did not really operate on commercial lines. This is supported by Chidakwa and Kadenge (2004:186) when they stated one of the specific objectives of ESAP as:

"Reform of public enterprises to eliminate the large budgetary burden caused by subsidies through making enterprises operationally efficient and more commercially oriented".

What it means is that they did not do business with the profit maximization motive. As a result they made losses year after year which had to be catered for by the central government.

The parastatals did not charge commercial rates and prices for their services and products like other businesses do. Their prices, fees and rates for their services and products were determined by the government without due regard to the cost structure of parastatal concerned. Affordability and some political considerations were taken into account when making decisions on the operations of the parastatals. This means that the parastatals were not able to increase their revenues and improve their profitability even though they were getting government grants. As a result they continued to make losses up to a point when they could no longer sustain their operation. The commercialization programme gave parastatals flexibility in pricing. This was echoed by then Board Chairman of the GMB Mr. K Katsande writing the
Chairman’s Statement in the Grain Marketing Board Annual Report of (1997:7) when he said, “……, the Government in principle granted the GMB the flexibility in determining its own pricing and marketing policies with respect to all the commodities which it trades in commercially”

There was government interference in the management of the firms. For instance before commercialization the GMB was forced to open depots in drought stricken areas even if those depots were not going to generate any reasonable sales revenue to meet their operational costs let alone make a profit.

The government of Zimbabwe enjoyed a lot of support from international aid organizations and the west. Foreign aid money was used to help deal with the pressure on the fiscus exerted by losses from parastatals. This led to increasing foreign debt and the country began to experience problems meeting the repayment schedules to the World Bank and the International Monetary Fund. The World Bank AfDB/OECD2004:366 African Economic Outlook focusing on Zimbabwe noted that, “Foreign payment arrears have built up drastically, from US$109 million in 1999 to US$1,5 billion at the end of 2002 (more than 40 per cent of it owed to multilaterals)and US$2,5 billion by the end of 2003.” Wikipedia, the free encyclopedia, observed this phenomenon and stated that, “As from February 2004, Zimbabwe’s foreign debt repayments ceased, resulting in compulsory suspension from the International Monetary Fund (IMF).”

In the late 1980s the Bretton Woods Institutions demanded economic reforms from the government of Zimbabwe for the country to get continued foreign aid.
This gave birth to the Economic Structural Adjustment Programme (ESAP) in 1991. This blueprint among other economic reforms emphasized cutting government expenditure. One major expenditure item for the government at that time was subsidy to parastatals. Chidakwa and Kadenge (2004:83) argue that, “For structural adjustment to succeed, Third World governments must reduce their budget deficit.” They also say that “It is up to the respective governments to determine how they will affect the reduction in their expenditure.” The government of Zimbabwe decided to withdraw subsidies and grants to parastatals as a way of reducing government expenditure in line with the dictates of the structural adjustment programme.

The withdrawal of subsidies or fiscal support to the parastatals made it imperative for parastatals to start operating on commercial lines. They were forced to find ways of funding their operations without necessarily reverting to government handouts. They had to begin doing business profitably. The parastatals were allowed to charge reasonable rates and prices for their services and products. Some of the services they used to offer to the public for nothing, for example collection of maize from farms to GMB were either cut, withdrawn or given a viable price. The commercialized parastatals were allowed to venture into new business areas that they deemed profitable which they would professionally appraise.

At the point of commercialization the government would take over the debts of the parastatal to give it a fresh start and turn around its fortunes. The commercialized parastatal was expected to make profits and remit some of
the profits to the fiscus thereby reducing budget deficit for the central government. The commercialization process was thus employed as a turnaround strategy by the parastatals.

The main objective of commercializing parastatals was to turn the loss making parastatals into profit making entities that would not heavily rely on funding from the government. The parastatals were supposed to be self sustaining for their own good and for the good of the nation at large.

The commercialization was also implemented as a way of serving some parastatals which were giving important services from collapse. Some of the parastatals had become highly indebted to financial instructions and could no longer afford the finance charges.

For instance the Grain Marketing Board at the time of commercialization in 1996 was making losses and was struggling to service a huge debt of $4, 23 billion emanating from grain bills that they issued over the years to raise money to buy grain from farmers. The government signed a debt takeover agreement with the parastatal and gave it the green light to venture into profitable business and sustain its operations.

The Government commercialised Cotton Marketing Board, the Cold Storage Commission, the Dairy Marketing Board, the Zimbabwe United Passenger Company, the Post and Telecommunications Corporation, the Zimbabwe Electricity Supply Authority, the Agricultural and Rural Development Authority
among others in order to turn around their faltering cause. As alluded to earlier on, the government also needed to reduce their expenditure to sustainable levels.

The issue at stake is whether the commercialization of parastatals really brought their turnaround and if so, what was the impact on the performance of the parastatals and the economy. The researcher therefore wishes to establish whether commercialization brought the desired results or the intended outcome.

The performance of some of the firms before and after commercialisation is summarized as follows,

**Dairy Marketing Board**
- 1978: ($2 million) loss
- 1990: ($60 million) loss

**Dairiboard Zimbabwe Ltd**
- 1996: $61 million profit
- 1997: $123 million profit
- 1998: $256 million profit
- 1999: $309 million profit

“During the period 1991 to 1994, DMB was turned around from a deficit of $60 million to a profitable company” as observed by Dr Gono in the RBZ paper on Privatisation issued on 21 January 2007.

**Cotton Marketing Board**
- 1990: ($22 million) loss
- 1991: ($2 million) loss
- 1992: ($39 million) loss
- 1993: ($76 million) loss

**Cottco**
- 1994: $8 million profit
1995  $48 million **profit**
1996  $71 million **profit**
1997  $171 million **profit**
1998  1.2 billion **profit**
2000  $884 million **profit**


**Grain Marketing board**

1990-1995  **losses throughout**
1996  $18 million **profit**
1997  $183 million **loss**
1998  $8 million **profit**
1999  $189 million **profit**
2000  ($2,010 billion) **loss**
2001  ($4,786 billion) **loss**
2002  ($6,346 billion) **loss**
2003  ($24,492 billion) **loss**

The GMB commercialisation began in 1996 when, according to Kumbirai Katsande in the GMB Annual Report 1997:7,”….the Government in principle granted the GMB the flexibility in determining its own pricing and marketing policies with respect to all the commodities which it trades in commercially”

A mere look at the facts paints a somewhat confusing picture about the commercialisation of parastatals in Zimbabwe. There is therefore need to have a
closer look at the commercialisation programme and establish whether it really was successful as a turnaround strategy for struggling state owned enterprises.

1.2. **Statement of the Problem**

The issue at stake is whether the commercialization of parastatals really brought their turnaround and if so, what was the impact on the performance of the parastatals and the economy. The researcher therefore wishes to establish whether commercialization brought the desired results or the intended outcome.

1.3. **Research Questions**

1.3.1. To what extent were the parastatals commercialized?

1.3.2. What factors affected the implementation of the commercialization programme.

1.3.3. Did commercialization bring any benefits to parastatals?

1.4. **Research Objectives**

1.4.1. The researcher seeks to establish whether the commercialization of parastatals was successfully implemented.

1.4.2. The research should reveal the factors that affected the implementation of the commercialization programme.
1.4.3. The researcher seeks to establish the benefits that were realized as a result of the commercialization process for the parastatals themselves and the nation at large.

1.4.4. The researcher also wishes to establish whether the commercialization process was effective in turning the fortunes of the entities that were commercialized.

1.5. **Research propositions**

1.5.1. That there were benefits that came as a result of commercialization.

1.5.2. That the commercialization drive was effective in turning around the fortunes of commercialized entities.

1.6. **Significance of the study**

The study will bring the following benefits:

1.6.1. The state will be able to make decisions on whether to continue or not with the commercialization programme and commercialise the remaining parastatals.

1.6.2. The research will also enhance the understanding of the various aspects of commercialization and how it can be effectively used as a turnaround strategy.
1.6.3. The study will provide useful information regarding the advantages and disadvantages of commercialisation of strategic industries.

1.6.4. The research will inspire further research into the field of turnaround strategies to try and change the fortunes of Zimbabwean companies and industries in the face of the current economic hardships that the country is facing.

1.6.5. The study will help create awareness on the part of government on the usefulness of commercialisation as a strategy to change the fortunes of struggling parastatals.

1.7. **Delimitations**

The research shall be confined to parastatals that were commercialized in Zimbabwe paying particular attention to Agricultural Marketing Boards.

The research shall not cover other state owned enterprises such as municipalities, councils, state universities, private and public limited companies.

1.8. **Limitations**

1.7.1. There are realistic fears that some respondents particularly those still running the parastatals may try to paint a positive picture of their achievements.
1.7.2. The time available to the researcher seems to be shorter than the researcher might have wanted in order to be very thorough. This might prevent him from covering all areas targeted to be visited to gather information.

1.7.3. The monetary resources required to cover the length and beneath of the country to search for data may be too much for the researcher to bear.

1.8 Strategies to deal with the limitations

1.8.1 To Deal with the first limitation (1.7.1)

The researcher will explain to the respondents that the data is required for academic purpose and that the information shall not be used for any other purposes. This will be done by way of an introductory letter or forenote to the questionnaires.

1.8.2 To Deal with the second limitation (1.7.2)

The researcher will have to use the internal mailing systems of the organizations being studied. Most of these firms have overnight or same day mail service.

1.8.3 To deal with the third limitation (1.7.3)

The researcher shall have approval to use company resources from the bosses of the organization he works for. This will greatly reduce the financial burden to be born by the researcher.

1.9 Assumptions

1.9.1. Researcher will be able to obtain honest and sincere answers from government officials, senior executives and directors of parastatals.

1.9.2. Commercialization can be effective as a turnaround strategy for a parastatal in trouble.
1.9.3. The success of an organization can be measured in terms of its financial performance.

1.9.4. The financial information relating to commercialized parastatals can be easily accessed from their database.

1.9.5. **Summary**

   This Chapter has outlined the background of this research. It has shown that post independence era saw a shift from overreliance by parastatals on the government to an era where parastatals were expected to be profitable. Commercialisation was, therefore embraced as a panacea to the problems that bedeviled parastatals. Whether the decision to embrace commercialization was beneficial is the issue at stake. The chapter has also looked at research questions, research objectives, research propositions and the significance of the study. Delimitations and limitations have also been discussed.
Chapter 2

Literature Review

**Introduction**

2.0. This chapter will review the literature on the commercialisation of state enterprises in developed and developing countries agribusiness. Literature is reviewed in order to provide the study with a conceptual and theoretical framework to explain some models and propositions. Literature review for this research will provide for the methods used by others; their weaknesses and strengths are exposed.

The researcher shall review publications on the Economic Structural Adjustment Programme (ESAP) in Zimbabwe and third world countries in Africa, magazines and journals, textbooks on commerce, general management, strategic management and change management.

The researcher shall also use the internet for articles and to extract relevant information about the research problem.

The researcher wishes to carry out a critical interpretation and evaluation of existing literature of the subject to be studied so as to determine the role of this research.
2.1. Commercialization Defined

Commercialisation is a process that is undertaken to improve the efficiency and cost effectiveness of services currently provided by local authorities or parastatals that is “putting them on a more business like footing”. This definition was given by Price Waterhouse in their Final Report on Pre-Feasibility Study on Commercialization of Urban Local Authority Services issued in February 1996. This definition entails improving the way the firms were doing business with a view to making them able to maximize profit through improved competitiveness, efficiency and effectiveness in their approach to doing business.

Commercialisation, according to the Governor of the Reserve Bank of Zimbabwe Dr. G. Gono (2007:5), “entails restructuring of the enterprise, redefining its operations and structures so that it operates along commercial lines.” This definition entails transforming loss making entities into profit making concerns.

Commercialisation is different from privatization in that privatization, according to Dr Gono, “entails the transfer to the private sector of activities and operations of companies hitherto run by the Government” whilst commercialisation refers to restructuring of an enterprise and redefining its mandate and structures as alluded to in the above definition by Gono.
If privatization is to help realize satisfactory rewards to the Government the transfer has to be done when the firm is operating along commercial lines. That is why Dr Gono says, “Commercialisation has tended to precede privatization and has been viewed as an initial stage in the privatization process.”

Commercialisation is not synonymous with privatization though normally used interchangeably. This view is supported by Tambudzai Zachary in a research funded by Midlands State University and presented at a Seminar at the University of Natal-Durban on 22 August 2002 when he said that

Commercialisation refers to the restructuring of SOEs and subjecting them to the stimulus of competition and the price system. It is a process of transforming PEs into profitable and viable entities thereby weaning them from reliance on state funds and subsidies. On the other hand privatization refers to the transfer of ownership of the PEs to the private sector. Swedberg Richard (2004) defines commercialization as a process of introducing a new product or production method into the market. This suggests that the actual launch of a new product is the final stage of new product development, and the one where the most money will have to be spent on advertising, sales promotion, and other marketing efforts. Commercialization is often confused with sales, marketing or business development. This is reinforced by Callon (2003) who advocates that commercialization generally refers to taking the product of research (whether private or public is immaterial) and building a business out of that idea. In this case the term "commercialization" is used
when taking a research idea and building a business around that idea which is different from the definitions given by other authors.

2.2. **ARGUMENTS FOR COMMERCIALISATION**

According to Grant, (2000) commercialisation is frequently associated with industrial and service oriented enterprises, such as mining, manufacturing or power generation, but it can also apply to any physical assets, such as land, roads, or even rights to water. In a theoretical framework and practice, commercialisation helps establish a "Free market economy", as well as fostering consumer competition, which its supporters argue will give the public greater choice at a competitive price. Some of the benefits to be derived from commercialisation as agreed at the workshop (Zimbabwe’s Debt Crisis and its Impact on Development 1996) are improved enterprise efficiency and performance that frees government resources as the need for subsidies falls away. The development of a competitive industry which serves consumers well resulting in economic growth. Wider shareholding structure deliberately targeted at certain sectors, flexibility of enterprises in accessing capital, know-how, and markets. Where the government retains some equity, it may earn dividends. Conversely, economist such as (Howard 2009) viewed commercialisation negatively, arguing that entrusting private businesses with control of essential services reduces the public's control over them and leads to excessive cost cutting in order to achieve profit and resulting in poor quality services.
Mosson, (2008) an advocate of commercialisation argues that governments run businesses poorly for the following reasons: The government may only be interested in improving a company in cases when the performance of the company becomes politically sensitive. Conversely, the government may put off improvements due to political sensitivity even in cases of companies that are run well. The company may become prone to corruption as company employees may be selected for political reasons rather than business ones. The government may seek to run a company for social goals rather than business ones. It is claimed by supporters of privatization, that privately-held companies can more easily raise capital in the financial markets than publicly-owned ones through the issue of shares compounded by public trust. Parts of a business which persistently lose money are more likely to be shut down in a private business.

According to Clarke (2010) nationalized industries can be prone to interference from politicians for political reasons. Politicians may make an industry buy supplies from local producers, when that may be more expensive than buying from abroad. This will force an industry to freeze its prices/fares to satisfy the electorate or control money supply, increasing its staffing to unprecedented levels in order to reduce unemployment or moving its operations to some marginalised communities. It is however argued that such measures can cause nationalized industries to become uneconomic and uncompetitive, (Bel Germa 2006). In particular, the first and last reasons are held to be the most important because of the problem of scarce resources.
If government-run companies are losing money, or if they are not as profitable as possible, this money is unavailable to other, more efficient firms, (Kosar 2000). Thus, the efficient firms will have a hard time finding capital and this makes it difficult for them to raise production and create more employment. The basic argument propagated by (Srague 2007) for commercialisation is that governments have few incentives to ensure that the enterprises they own are well run. On the other hand, private owners are said, to have such an incentive, because they will lose money if businesses are poorly run, (Black 2000). Their theory holds that, not only will the enterprise’s clients see benefits, but as the commercialised enterprise becomes more efficient, the whole economy will benefit. Ideally, commercialisation propels the establishment of social, organizational and legal infrastructures and institutions that are essential for an effective market economy.

2.3. **ARGUMENTS AGAINST COMMERCIALISATION**

According to SJ Grant, (2000) opponents of commercialisation dispute the claims made by proponents of commercialisation, especially the ones concerning the alleged lack of incentive for governments to ensure that the enterprises they own are well run, on the basis of the idea that governments must answer to the people. It is argued that a government which runs nationalized enterprises poorly will lose public support and votes, while a government which runs those enterprises well will gain public support and votes. Thus, democratic governments, under this argument, do have an incentive to maximize efficiency in nationalized companies, due to the pressure of future elections.
Opponents of commercialization such as Srague (2007), argue that it is undesirable to let private entrepreneurs own public institutions for the following reasons. Private companies do not have any other goals other than that of maximizing profit whereas other sectors of government exist to provide a service without a profit motive. Buyers of public property have often, most notably in developing countries used insider positions to enrich themselves - and civil servants in the selling positions – grossly abuses these privileges since there are no mechanisms for accountability. On the other hand if a government-owned company providing an essential service such as water supply to all citizens is privatized, its new owners could stop providing this service to those who are too poor to pay, or to regions where this service is unprofitable (Clarke 2010).

According to Roger (2007) a centralized enterprise is generally more cost effective than multiple smaller ones. Therefore splitting up a public company into smaller private chunks will reduce efficiency. Commercialisation will not result in true competition if a natural monopoly exists and the resultant profits from successful enterprises end up in private pockets instead of being available for the common good. Nationalized industries are usually guaranteed against insolvency by the state, (Clarke 2006). They can therefore borrow money at lower rates of interest to reflect the lower risk of loan default to the lender. This does not apply to private industries.

According to Sprague (2007) in cases where public services or utilities are commercialised, this can create a conflict of interest between profit and maintaining a sufficient service. However, Clarke (2010) argues that a private
company may be tempted to cut back on maintenance or staff training etc, to maximize profits. Public services are per definition low-risk ventures that don’t need scarce risk capital that is needed better elsewhere. A public service may provide public goods that, while important, are of little market value, such as the cultural goods produced by public television and radio. In practical terms, there are many pitfalls to commercialisation of national parastatals. Sprague (2007) argues that commercialisation has rarely worked out ideally because it is so intertwined with political concerns, especially in post communists’ economies or in developing nations where corruption is endemic. This is particularly the case of the Zimbabwean situation, GMB a case in point where the leadership is appointed on political grounds and orientation.

2.4. **Expectations or Objectives of Commercialisation**

There are a number of perceived objectives of commercialisation which Dr Gono noted as follows:

The objectives of Privatisation as highlighted by Mr. O. E. M Hove at a Senior Policy Makers’ Workshop held at Elephant Hills Hotel, Victoria Falls in 1996 include the following:

(i) Stabilization of public finances;
(ii) Improving operational efficiency of public enterprises;
(iii) Reducing the role played by Government in the national economy and encouraging private sector participation;

and
(iv) Indigenization of the economy

2.4.1. **Stabilization of Public Finances**

The Zimbabwe government had to wean off some parastatals by way of commercializing them in order to deal with the “sharp rise in the proportion of the national product spent by the state” as stated by Lobley (1980:333). This was in view of the fact that “One of the most noticeable features of post war economic activity has been the sharp rise in the proportion of the national product spent by the state” as echoed by Lobley (1980:333).

The continued rise in government expenditure has been the case for Zimbabwe since independence in 1980. The Economic Structural Adjustment was thus introduced with the prime objective, as stated by the World Bank Group’s Operations Evaluation Department in a Précis Number 105 of 2 January 1996 titled Structural Adjustment and Zimbabwe’s Poor, as

“To reduce Zimbabwe’s deep economic disparities, the government that came to power at independence in 1980 invested heavily in health and education and, through parastatals, in rural development and the productive sectors. This led to an increase in public expenditures, which for most of the 1980s made up 45% of GDP”

One of the specific objectives of ESAP, as stated by Chidakwa and Kadenge (2004:186) was “Reform of public enterprises to eliminate the large budgetary
burden caused by subsidies through making enterprises operationally efficient and more commercially oriented.” In this vain the government had to embark on the programme of commercializing parastatals which were, at that time reeling from operational inefficiencies, huge debts and accumulated losses resulting in them being heavily dependent on the central government for financial support from the fiscus.

The government, which was also finding it difficult to keep on assisting the parastatals because of their own ballooning foreign debt, did not want to see the parastatals collapse so they had to commercialise them thus allowing them to operate profitably and continue to provide essential services to the people of Zimbabwe and maybe generate profits which would be remitted to the Central Government.

Dr Gono alleges that “commercialization has been on the cards in Government circles since the beginning of economic reforms in 1991. Almost all economic reform documents and budget statements spelt out Government economic intentions and directions, pinpointing commercialization as a pre-requisite for economic stabilization and development.

The following excerpts were extracted by Dr. Gono from previous policy and budget statements emphasizing the need for commercialization and privatization:

In 1994 Budget Statement the then Acting Minister of Finance Honourable E. D. Mnangagwa linked deterioration in fiscal performance to losses by parastatals when he said,
“Fiscal performance has also been jeopardized by the performance of public enterprise whose losses continue to be burden on Government. Cumulative losses of parastatals amounted to $1 457.6 million…. Government has set up a Cabinet Committee on Privatisation which is tasked with examining in detail each of the parastatals with a view to moving swiftly into commercialisation and / or privatization or joint ventures as deemed necessary.” (page 7)

In 1996 Budget Statement, the Minister of Finance Honourable Dr. H. M. Murerwa announced that “…a thorough analysis of the major cause of the budget deficit has been finalized. The major drain on the fiscus over the past five years has been the huge losses by the parastatal sector. In total these losses amounted to $6.5 billion” (page 11 and 12)

In the 2000 fiscal Budget Statement, the Minister of Finance Honourable Dr. H. M. Murerwa reiterated that,”…..the financial performance of public enterprises has been, for a long time, a cause for concern. Major public enterprises which include ZISCO, NOCZIM, PTC and ZESA had already accumulated losses amounting to about $14.8 billion as of June 30 1999.” He went further to announce that, “His Excellency, The President, has recently appointed a high level Cabinet Committee, chaired by the Vice President, to monitor and supervise the performance of parastatals with a view to restoring financial viability to this sector. Government has since established the Privatisation Agency of Zimbabwe in the Office of the President and Cabinet
to speed up the privatization of public enterprises through the provision of the necessary technical services “

(Page 13)

Again in the 2001 fiscal Budget Statement the then Minister of Finance and Economic Development, Honourable Dr S. Makoni announced that “commercialisation and privatization of public enterprises are critical components of the Millennium Economic Recovery Programme. The 2001 Budget targeted to raise $22 billion from the sale of assets but only $5.5 billion was raised” (page 7)

Dr Gono concluded that

“One of the major objectives was to reform public enterprises to eliminate the large budgetary burden caused by subsidies through making the enterprises operationally efficient and more commercially oriented. It is, however, disappointing to note that the overall performance of the public enterprises significantly deteriorated during the reform period. Losses incurred amounted to $2 billion in 1993/94 and $1.8 billion in 1994/95 “

2.4.2. Improving Operational Efficiency of Public Enterprises

Commercialization or privatization should not be introduced as an end in itself. It should be noted that, as asserted by Price Waterhouse (1996:2), “the purpose was to identify services and activities ….. where alternative
arrangements for delivery and management, and possibly ownership, would have benefits in terms of one or more:

(1) cost reduction
(2) Income maximization
(3) Increased productivity
(4) Improved service”

Most parastatals at the time of commercialisation, as alluded to in the background to this study, were operating at a loss due to mainly operational inefficiencies. Improving operational efficiency would help the parastatals cut down on unnecessary and avoidable costs that were causing them to incur losses. Furthermore improving operational efficiency would help the parastatals maximize their revenues and incomes. The more efficient parastatals become the more they become able to realize profits. The profits could be retained to fund other profitable projects thus improving the capacity of the firm to generate more profit.

Improving operational efficiency would also help improve productivity of the commercialized entity. Productivity refers to the output expressed per factor of production resource. If efficiency is improved the abnormal losses are eliminated resulting in the cost per unit of any factor of production going down thus enhancing the firm’s profitability.

Improving operational efficiency will also help improve services delivery by the parastatals. Most parastatals were, at the time of commercialization,
rendering shoddy services to their customers. For instance the GMB was taking almost a year to pay farmers for deliveries made to the parastatal. This was mainly because it could afford to be inefficient since it was a monopoly at the time. The monopoly was however removed at the time of commercialization as one of the measures brought about by the adoption of ESAP. Chidakwa and Kadenge (2004:186) examined ESAP in Zimbabwe and pointed out that “Measures taken included deregulation of the economy trade liberation, public enterprise reform, and fiscal and monetary policy reforms”

The commercialization programme or public enterprise reform was aimed at improving operational efficiency of public enterprises and thus improve service delivery.

The government could not allow parastatals to collapse so they employed commercialisation as a turnaround strategy to serve them from the crisis in which they were. Thompson and Strickland (2003:281) say that “Turnaround strategies are needed when a business worth rescuing goes into a crisis; the objective is to arrest and reverse the sources of competitive and financial weakness as quickly as possible.” Most of the parastatals that were commercialized offered essential services and there was need to serve the firms and improve on the quality of the services of those parastatals.
2.4.3 Reducing The Role Played By Government In The National Economy And Encouraging Private Sector Participation.

The Government had to revert to being the housekeeper. The government had to concentrate on housekeeping issues: making the playing field even for players in the economy. The government had to reduce its role in economy by commercializing and, in some cases, then privatizing the state owned enterprises. In order to achieve this Chidakwa and Kadenge (2004:186) pointed out that “Measures taken included deregulation of the economy, trade liberalisation, public enterprise reform, and fiscal and monetary policy reforms”.

The government had to stop gobbling itself with controls and unnecessary interventions in the economy by deregulating the economy and liberalizing trade. To this end price controls were removed and parastatal monopolies were dismantled as the firms were now facing competition from the private sector. The commercialization process was thus used as a tool to equip the state owned enterprises with the means to compete in the deregulated economy and liberalized trade.

2.4.4. Indigenization of the Economy.

The government embarked on commercialisation with a view to later privatize some of the commercialized state owned enterprises. The transfer of ownership of the commercialized entities is what is referred to as privatization. This view is supported by Hanke (1987) in Zachary (2003) when he defined privatization as – “the transfer of assets and service functions from the public
to private hands. It includes therefore activities that range from selling state owned enterprises to contracting out public services with private contractors”.

From this definition it can be seen that the process of the commercialization of state owned enterprises involved concentrating on core business and contracting out certain services or functions. These services or functions would then be contracted out to indigenous firms or individuals as an affirmative action and indigenization effort.

Zachary Tambudzai, in his research paper on privatization that he presented as a seminar at the University of Natal-Durban on 22 August 2002, says “One of the key objectives of privatization in Zimbabwe is to achieve economic empowerment of the indigenous population. Various strategies have been used to try and reach out to the indigenous investors”

2.5. EMPIRICAL STUDIES

2.5.1. COMMERCIALISATION OF RAILWAY SERVICES IN BRITAIN

By any yard stick, commercialization in the United Kingdom economy since 1979 was substantial compared to any other period. In 1979, the nationalized industries accounted for about 9% of the Gross Domestic Product and 7% of employment (Cain 2001). Taking the British economy as a particular example it is possible to recognize various reasons for extensive and widespread commercialization that were made globally. Some of the factors that influenced commercialization were economical and others are influenced by political motivations.
In the early phase of commercialization, there were little arguments that there was a deliberate commitment to reduce government involvement and spending in the economy. A return to market forces was seen as necessary for many nationalized industries to achieve an efficient allocation of resources. Public ownership was believed to be a serious obstacle to these industries meeting their particular objectives (Grant 2002).

There was also a deliberate policy to widen share ownership amongst the population and amongst the employees of the commercial companies. In this regard, people who previously had no opportunity to own shares could purchase small quantities of shares in businesses they were customers. From the employee’s stand point, share ownership was seen as a way of enhancing motivation and improving labor relations in a company.

Commercialization can generate benefits for consumers in the form of low prices, wider choice and better quality products and services. X-inefficiency would be likely to be reduced as firms become more aware of the need to control costs to stay in business. Consumers and shareholders became pivotal in the affairs of commercialized companies, (Kosar 2006). The sale of nationalized industries generated substantial amounts for the British governments over the period of time. The income has been estimated to be USD$ 70-80 billion over the past twenty years, Wall Street Journal (2002). As a consequence the British government has been able to reduce the size of Public Sector Borrowing Requirement (PSBR) and in some years, operate with some annual budget surpluses due to the influx of receipts from the private sector sales (Clarke 2010). Thus the income generation has been very
important in helping the economy to cope with deficits on the trading account of the balance of payments.

It is further believed that commercialized companies can be successful in raising capital, lowering prices and cutting out waste (Clarke 2006). In other words they are more efficient; with managers able to operate in a market-led way, without the restrictions of trying to satisfy government’s objectives for their companies. Managerial freedom and a highly motivated workforce become the means which economic efficiency is realized. One of the most successful recent commercialization in the United Kingdom has been the sale of the nationalized rail freight business to the English, Welsh and Scottish Railway (EWS) (Clarke 2006). Seemingly in terminal decline under government ownership, and unable to compete effectively with road freight, EWS has enjoyed considerable success since 1995. New customers who had previously used only road freight were switching some business to rail, (Grant, 2000).

2.5.2. COMMERCIALISATION IN INDIA

Indian agriculture has been undergoing spectacular changes in recent period. These changes are manifestations of large scale commercialisation and diversification taking place in the agricultural sector. They broadly include cultivation of new crops and varieties, increase in the share of area under cash crops, large scale spread of livestock activities and fisheries, pursuance of hi-tech agriculture in the areas of aquaculture, bio-technology, and horticulture and processing (Brown 2004). The latest changes are basically responses of agriculture to new economic environment ushered in by the
process of liberalisation (Satyasai and Viswanathan, 1997). As such commercialisation of agriculture has taken place at different times in response to different motivation.

Before the advent of the British rule, crops such as cotton, tobacco and sugarcane were grown fairly extensively since land revenue had to be paid mostly in cash and the prices of these crops, relative to those of food grains, were much higher at that time (Satyasai and Viswanathan 1997). Even during the British rule, the situation did not change much. Though the primary concern of the rulers from then onwards was the expansion of trade, some of the policies in pursuit of this objective introduced market forces into agriculture. In the process, land was rendered marketable in principle as the British vested the property rights on land with the individual farmers for the first time (Brown 2004). This, coupled with the growth in population and infrastructural investments in irrigation, communication and transport, resulted in rise in land value

According to Satyasai and Viswanathan 1997) commercialisation of agriculture in India has taken place at different times in response to different stimuli. Earlier, growing of cash crops like cotton, sugarcane, jute and tobacco that were grown exclusively for the market had been considered synonymous with commercialisation. Over time, even food grains were produced for the market due to cash needs of the farmers. Brown (2004) argues that this transition has been hastened by the Green Revolution which increased the marketable surplus. Favourable price policy for food grains has also
contributed to this transition. Taking these developments into consideration, the degree of commercialisation may be captured in terms of the change in the share of marketed output or change in the share of purchased inputs per unit of output (Satyasai and Viswanathan 1997). As per this definition, a situation where the proportion of marketed output of paddy has increased from say, 20% to 50% can be considered as increasing commercialisation. This view differs from that offered by Brown (2004) who argues that a situation whereby paddy land is converted into a fish pond, thereby replacing the earlier enterprise with a more profitable one cannot be considered commercialisation as per this definition. Similarly, this definition does not cover a situation where the proportion of purchased inputs to output actually comes down.

Thus, conceptually, commercialisation can either take the form of product commercialisation which can occur on the output side through increased share of marketed surplus, introduction of new crops/activities or factor commercialisation which can occur on the input side through increased use of purchased inputs (Satyasai and Viswanathan 1997). In the former case, the surplus can be had in the form of additional amount, over and above self-consumption, or in the form of a cash crop which is allotted a higher proportion of the cultivated area owing to favourable economics. An expected increase of production and income motivate the farm-firms to enter the exchange economy and become more commercialised (Brown 2004). In the latter case, commercialisation may be understood as adoption of modern inputs such as seed, fertilisers, pesticides, irrigation and mechanical power, most of which are purchased from market (Satyasai and Viswanathan 1997).
Thus, at the farm level, the extent of commercialisation can be measured either as a ratio of value of market arrivals to total value of agricultural production or as a ratio of value of inputs purchased from the market to total value of agricultural production. Considering different facets of commercial agriculture, some of the ratios that can serve as indicators of the degree of commercialisation are, viz., ratio of market arrivals to production, share of non-food grain cash crops and food grain cash crops in gross cropped area as well as value of output, ratio of purchased inputs to value of all inputs (as also output) and share of agricultural exports in GDP in agriculture (Satyasai and Viswanathan 1997).

As a result of commercialisation in India there was increased efficiency (Brown 2004). This is supported by Clarke (2010) who argues that private companies and firms have a greater incentive to produce more goods and services for the sake of reaching a customer base and hence increasing profits. A public organization would not be as productive due to the lack of financing allocated by the entire government's budget that must consider other areas of the economy. Clarke (2010) also mentions that commercialisation results in specialization. A private business has the ability to focus all relevant human and financial resources onto specific functions. A state-owned firm does not have the necessary resources to specialize its goods and services as a result of the general products provided to the greatest number of people in the population. According to Satyasai and Viswanathan (1997) the resultant effect of commercialisation in India was job creation. As the economy becomes more efficient, more profits are obtained and no government subsidies and fewer taxes are needed, there will be more
private money available for investments and consumption and more profitable and better-paid jobs will be created than in the case of a more regulated economy.

2.6. **Forms of Commercialization**

Commercialization of state owned enterprises took various forms which include, interalia, the following:

2.6.1. **Deregulation of Pricing Decisions**

This option means that the firms were allowed to charge commercial rates and prices for their services and products like what other businesses in the private sector do. This was meant to improve their revenues and improve their profitability.

The deregulation of pricing decisions would give the parastatals flexibility in pricing their products. This was echoed by the then Board Chairman of GMB Mr K. Katsande writing the chairman’s statement in the Grain Marketing Board Annual Report of (1997:7) when he said that “----, the Government in principle granted the GMB the flexibility in determining its own pricing and marketing policies with respect to all the commodities which it trades in commercially” (Zachary 2002)

This option requires the government to remove price controls and political interference in determining prices, fees and rates that parastatals or local authorities charge. This option was adopted by most parastatals in their commercialization.
This option would allow “continuous review of producer and consumer prices and staff conditions of service” as asserted by Zachary Tambudzai (2002:189).

2.6.2. **Contracting Out Certain Functions**

This commercialization option entails contracting out certain functions like canteens, beer halls, engineering, cleaning and security. According to Thompson and Strickland (2003:182) “Disintegration or outsourcing involves withdrawing from certain stages/activities in the value chain system and relying on outside vendors to supply the needed products, support services, or functional activities”. This option would allow the commercialized firm to concentrate on its core business and create synergies or alliances with other firms for mutual benefit.

Most firms adopted this option and contracted out security services and other functions and concentrate on their core business. For instance GMB abolished its security organization and contracted security services to private security firms. Dairiboard, according to Zachary Tambudzai (2003), also employed this strategy of “outsourcing non-core business activities (printing, laundry, catering, etc)”. A leaner and well focused firm would be able to increase its revenues, reduce its costs and improve its productivity ratios due to improved operational efficiencies.
There are pitfalls of outsourcing that one has to guard against as pointed out by Thompson and Strickland (2003:185) when they say, “The biggest danger of outsourcing is that a company will farm out too many or the wrong types of activities and hollow out its own capabilities.” So one has to be careful when taking this option in order avoid this pitfall.

2.6.3. **Strategic Business Unit Planning and/or Restructuring.**

This involves what Zachary termed “re-organizing the company structure.” The organogram is re-oriented to the dictates of the new business approach and the apparent paradigm shift. The firm has to set up strategic business units which are profit centers whose costs are appropriately apportioned and accounted for in order to ensure sustainable profitability of the strategic business units.

The new structure that is designed should take cognisance of the new strategic direction, the need to reduce costs and maximize revenues and consequently increase profitability.

Strategic Business Unit planning though ideal for multibusiness corporations could easily be applied to any other type of organizations where there is need to put related business activities together.
Stoner and Freeman (1992:190) say that Strategic Business Unit planning refer to “grouping business activities within a multibusiness corporation because they generate closely related products or services.” Pearce ii et al (2003:635) concur with this view when they say that “SBUs are usually structured based on the independent product/ market segments served by the firm.”

This commercialization option was used by ZBC and ZESA in their commercialization programme and it remains an option for other parastatals particularly those that have diversified extensively like the GMB.

The success of strategy implementation “depends in part on how the organization’s activities are divided, organized, and co-operated – in short, on the structure of the organization” as stated by Stoner and Freeman (1992:217).

Stoner and Freeman (1992) point out that structural changes are required to solve administrative problems and economic inefficiencies and to maximize the organization’s economic performance. This is why most parastatals which were commercialized took this option. DZL, GMB, ZBC, ZESA, in fact all state owned enterprises adopted this commercialization option.
2.6.4. **Joint Ventures/Wholly Owned Company**

This option involves engaging a strategic partner or forming a strategic alliance with an outside investor or competitor.

Dr. Gono suggests that strategic alliances and joint ventures will “facilitate the injection of additional capital, as well as modern technology and equipment”.

Some of the problems that were being faced by parastatals at the time commercialization was mooted emanated from inadequate funding or lack of capital or overload of debt. It was therefore, quite an attractive option to bring in a technical or strategic partner who would bring in the much needed financial resources to help fund their operations.

In the 2006 fiscal budget statement Dr. H. M. Murerwa the then Minister of Finance stressed the use of this option and listed the following:

1. Zimbabwe Power Company – Strategic Partner
2. Tel One – Strategic Partner
3. Net One – Strategic Partner
4. NRZ – Concessioning
5. ZISCO – Joint Venture/Management Contract
6. Air Zimbabwe – Strategic Alliance; and
7. CSC – Partial Divesture and Listing on the Stock Exchange
Thompson and Strickland (2003:172-3) state that “Alliances and partnerships are a necessity in racing against rivals to build a strong global presence and/or to stake out a position in the industries of the future”. They continue to say that “Strategic alliances and collaborative partnerships have thus emerged as an attractive and timely means of breaching the technology and resource gaps that firms now commonly encounter. Alliances have, in fact, become so essential to the competitiveness of companies in many industries that they are a core element of today’s business strategies,” particularly in industries where change is rapid.

The strategic alliance option therefore would give the commercialized firm the much needed resources to gear for competition which they would face when they start trading commercially.

2.6.5. **Disposal of Non Performing Assets.**

Thompson and Strickland (2003:282) allege that “Assets reduction strategies are essential when cash flow is a critical consideration and when the most practical ways to generate cash are (1) through sale of some of the firm’s assets (plant and equipment, land, patents, inventories or profitable subsidiaries) and (2) through retrenchment (pruning of marginal products from the product line, closing or selling older plants, reducing the workforce, withdrawing from outlying markets, cutting back customer service.)”
This option is vital to raise cash or to reduce the drain on the cash resources of the firm being commercialized. The selling of assets will generate cash whilst retrenchment would reduce the cash outflows and thus enhancing the cash position of the firm. Most commercialized firms adopted these strategies in trying to turn their fortunes around. For instance the GMB reduced its average workforce from 4097 in 1996 to 3347 in 1997, as depicted in the GMB’s Annual Report (1997). The parastatal had a major sale of old vehicles and equipment at its Aspindale depot in Harare in 1999. The parastatal also closed some of its non production depots such as Selby and Mt. Hampden depots. DZL also employed this option in its commercialization programme as noted by Zachary Tambudzai (2002) when he listed that one of the strategy employed by DZL during restructuring as “staff retrenchment (from 3500 to 1500) thus saving about Z$25 million per year”.

Adopting this option would certainly help the organization achieve the commercialization objective of improving operational efficiency of the public enterprises alluded to earlier on in section 2.2.2 above.

2.6.6. Diversification and New Product Development.

Diversification involves going into new product and new markets. This is supported by Stoner and Freeman (1992:206) when they say “Diversification marketing involves both a new product and new customer”. Thompson and Strickland (2003:292) asserted that, “When to diversify depends partly on a company’s growth opportunities in its present industry and partly on the opportunities to utilize its resources, expertise and
capabilities in other market arenas”. Thompson and Strickland (2003:294) go further to list the factors that signal when it’s time to diversify as follows:

“(1) diminishing growth prospects in its present business
(2) opportunities to add value for its customers or gain competitive advantage by broadening its present business to include complementary products or technologies
(3) attractive opportunities to transfer its existing competencies and capabilities to new business arenas,
(4) cost saving opportunities that can be exploited by diversifying into closely related businesses and
(5) the financial and organizational resources to support a diversification effort”

Most of these factors were applicable to most of the parastatals and as such they took this as a viable and feasible commercialization option for them.

GMB adopted this strategy when it diversified into processing and developing new products. The parastatal introduced its silo range of products which include silo rice, silo mealie-meal, silo beans, silo popcorn, silo nyemba, and of late the parastatal unveiled silo samp, silo salt, silo coffee, pagoda rice and dely flour.

Dairiboard Zimbabwe Limited also diversified a lot in its commercialization endeavor. The firm moved from dealing only in milk products to other products such as fruit juices and bottled water.
2.7 IMPLEMENTATION CHALLENGES

2.7.1. Environmental Constraints

Peter Lorange in Stoner and Freeman (1992:235) “identifies five major trends in the environment that pose particular challenges to strategy implementation and argues that organizations must actively integrate these environmental concerns into their strategy planning”. These environmental constrains are:

2.7.1.1. Politics

This refers to changes in politics, legal systems, and government attitudes towards business. Since the adoption of the commercialization strategy during ESAP times there were a lot political ideology changes, legal systems also changed and the attitude of government also changed. This posed a challenge to the commercialized entities as they had to adjust to this trend. To this end Stoner and Freeman (1992:235) assert that “Therefore, knowledge on an organization’s external stakeholders is increasingly important to its strategy, which must establish a consistent set of priorities to allow the organization to interact effectively with government, labour unions, consumer activists and the like”

During the 1990s when the commercialization began, the government was so actively involved in the economy, the labour was so militant led by ZCTU and the consumer council was so keen to protect the consumers. The parastatals which were commercialized had to face this challenge and get their priorities right for them to effectively interact with such stakeholders.
2.7.1.2 Attitudes

According to Stoner and Freeman (1992:235) managers have to deal with challenges posed by changes in social values or attitudes. They noted that there are two major changes in attitudes:

“First is the change in attitudes toward growth. Second is the challenge to traditional expectations of strong commitment and performance on the part of organization members”.

Managers have to somehow counter balance this change in attitudes and ensure that they continue to pursue growth opportunities and continue to cultivate a greater sense of commitment.

During the commercialization programme the managers had to ensure revenue growth and that there was commitment to the programme to ensure its successful implementation.

2.7.1.3 Power Shifts

There is also a growing trend of shifting interests of interest groups and outside pressures on the organization. Stoner and Freeman (1992:237) urge organizations to monitor these trends and “try to reduce their vulnerability to outside pressures by shifting their resources away from sensitive areas.”

Parastatals had to make sure that they dance to the whims of interest groups like the Affirmative Action Group, Indigenous Business Organization Group and other pressure groups that emerged in the 1990s in Zimbabwe. Whatever
commercialization option they adopted these pressure groups wanted to see the organization doing something for the good of indigenous people of Zimbabwe. This was a challenge that they had to face headlong and shift their resources to these areas perceived as needy areas by these pressure groups.

2.7.1.4. Technology

Technology is ever changing and an organization has to keep abreast of technological changes and update their technical knowledge and skills. Stoner and Freeman (1992:237) said that “strategies will then have to manage technology in the same way they currently manage money.” This illustrates that technology poses a major challenge as it is just as valuable as cash.

Technology posed quite some challenge particularly for those parastatals which adopted diversification and new product development option in their commercialization programme. The competition with other firms in the private sector also posed some technological challenges for parastatals since some of these firms were well equipped. The parastatals had to keep pace with such firms so as to have some competitive advantage.
2.7.2. **Internal Constraints**

Lorange also observed that some of the greatest difficulties facing managers are created by the organization itself which we term internal constraints. These factors include:

2.7.2.1. **Inflexibility**

This refers to rigidity in the way an organization is structured and coordinated which hinders communication and co-operation of the units of the organization. Stoner and Freeman (1992:237) lament that “All too often, functional divisions become rigidly independent fiefdoms that fail to communicate or co-operate with one another”.

Managers should therefore use “a dual responsibility system that would assign managers to strategic cross-functional task forces” as proposed by Lorange in Stoner and Freeman (1992:237).

Commercialization brought changes to those firms and those who were rigid could not cope with the changes. This inflexibility posed quite some challenge to the managers of such commercialized firms.

2.7.2.2. **Executive Obsolescence**

This refers to a situation where according to Stoner and Freeman (1992:237), “Members of an organization may become obsolete as environment changes make their accumulated knowledge and experience irrelevant”. What this entails is that when changes occur there is need for strategic planning process to be viewed as a learning process.

This problem of executive obsolescence posed quite some challenge to the commercialized parastatals. The firms had to diversify into new products and
markets and some of the knowledge and experience their staff had become irrelevant. That means they had to train and develop them and in some instances retrench and replace those retrenched with people with the required skills, knowledge and experience.

Wheelen and Hunger (2006:241) allege that, “The desired direction of the firm determine the type of general manager needed to effectively implement a new corporate or business strategy” and that “…it is up to the board to decide when a top executive should be replaced.” Therefore it is imperative for the boards of commercialised entities had to assess the suitability of the incumbent CEO to determine whether he or she should be replaced or not because “the chief executive officer is the catalyst in strategic management. This individual is the most closely identified with and ultimately accountable for a strategy’s success.” as spelt out by Pearce ii et all (2003:375)

2.7.2.3. Parochialism

This emanates from lack of conceptual skills which leads to failure to see the organization as a whole and concentration on one’s particular function. Parochialism lead to a situation where, according to Stoner and Freeman (1992:237) “Managers often feel loyalty to their particular operation rather than to the organization as a whole”.

To deal with parochialism Lorange in Stoner and Freeman (1992:237) recommends that “feedback from executive office emphasize the role each division plays within the organization – stressing the organization’s portfolio perspective not the division’s relative success or failure”.

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The Chief Executive Officers of the commercialized entities had to deal with this challenge that they would face during the implementation of the commercialization strategy. In terms of the recommendations by Lorange the CEOs had to impress on their managers to regard their operation as an important part of a bigger whole and make it clear that their operations are there to help achieve the organizational goals. There was a need to organize strategic planning workshops where such issues are discussed and emphasized.

2.7.2.4. Organizational Culture

This refers to shared values, styles and traditions, attitudes, ideologies and ways of doing things. Organizational culture, according to Stoner and Freeman (1992:237) “can become vested interests that prevent managers from recognizing the significance of environmental changes and make them reluctant to modify their priorities or shift strategic resources.” Pearce ii et al (2003:384) concur with this observation when they pointed out that “the strength of culture influences the intensity by which organisational members comply with it as they go about their day to day activities.”

To deal with challenges posed by organizational culture Lorange in Stoner and Freeman (1992:237) emphasize that “central corporate planning must adopt a style that is responsive to strategic process, which in turn, must be receptive to goal modification, new business developments, and environmental problems and opportunities”.

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During the commercialization programme there was need to modify organizational goals, introduce new developments, and deal with environmental problems and opportunities arising there from. Cultural changes therefore became imperative and as such the commercialized entities had to ensure that their existing culture would not be a barrier to the implementation of the programme of commercialization.

2.7.4.5 Power

Power poses a challenge to strategy implementation particularly when “the CEO lacks the power to alter the firm’s direction and to reallocate strategic resources” as asserted by Stoner and Freeman (1992:237). They further alleged that this occurs “when executive power is spread to functional managers“ when the CEO is a lame duck nearing retirement, when a poor track record has undermined all confidence in the CEO, or when there is no coalition of top executives to support or supplement the CEO’s efforts”

The best solution according to Stoner and Freeman, “is to develop a group of top managers who are able and willing to work together to develop and execute strategy”. The challenge for the commercialized entities was to ensure that they have powerful Chief Executives who have confidence in their ability to implement the new strategy. The top executives had to be committed to support and supplement the Chief Executive’s efforts. This is why most commercialized entities engaged new CEOs at the time of commercialization and recruit new teams of top executives to implement their commercialization strategy. The Grain Marketing Board, for instance recruited Martin Muchero to spearhead the strategy implementation. Upon his
appointment he restructured, retrenched and recruited new blood capable of executing the new vision.

2.7.3. Resistance

“One of the most well-documented findings from studies of individual and organizational behaviour is that organizations and their members resist change” Robbins (2003:558).

In some instances resistance may be a good thing where it provides a degree of stability and predictability to behaviour and stimulate healthy debate over the merits of the idea to change.

Resistance may be a source of functional conflict in which case it draws back adaptation and progress.

It is therefore imperative for the managers of the firms that are implementing changes to identify sources of individual and organizational resistance and manage them in a way that minimizes the resistance.

2.7.3.1. Individual Resistance

There are five reasons why individuals may resist change.
2.7.3.2. Organizational Resistance

There are six major sources of organizational behaviour which are illustrated in the figure 2.2

Source: Robbins (2003:561)
2.7.3.3. **Overcoming Resistance**

There are a number of tactics that managers can employ in trying to overcome resistance to change. These include;

(i) **Education and Communication**

This can help employees see the logic of a change. “Communication can be achieved through one-on-one discussions, memos, group presentations, or reports” as alleged by Robbins (2003:562)

(ii) **Participation**

Involve the members in the decision process. This can lead to reduced resistance, greater commitment to the change process because, as Robbins (2003:562) asserted, “Its difficult for individuals to resist a change decision in which they participated.” Managers should therefore involve their workers in the decision making process as a means to get their support for the change decision.

(iii) **Facilitation and support**

This involves employee counseling and therapy, new skills training, or short paid leave of absence among others. Change agents or consultants “can offer a range of these supportive efforts to reduce resistance” as purported by Robbins (2003:562). So managers can hire consultants to help implement changes.

(iv) **Negotiation**

This involves exchanging “something of value for a lessening of the resistance” as pointed out by Robbins (2003:562). Managers should negotiate deals with powerful individuals or groups where resistance is centered.
(v) Manipulation and co-optation

This involves “twisting and distorting facts to make them appear more attractive, withholding undesirable information and creating false rumours to get employees support” as asserted by Robbins (2003:563)

(vi) Coercion

This refers to “the application of direct threats or force on the resisters” as pointed by Robbins (2003:563). Managers can employ threats of transfer, loss of promotions, negative performance evaluation, and poor letter of recommendation as suggested by Robbins (2003), to deal with whoever is resisting the change.

The managers for the commercializing entities should identify the sources of resistance to the commercialisation and employ any of the six tactics in trying to minimize or eradicate the resistance.

2.8. Implementation Requirements: Managing the Change Process

The implementation of the commercialization programme required the organization to do basic administrative tasks needed to put the strategy into practice. Taking a leaf from a number of theoretical models can help the firms successfully manage the implementation of this commercialization programme. The models include;
2.8.1. Chandler’s Thesis

Chandler observed similar pattern in the development of organizations. According to Chandler, in Stoner and Freeman (1992:217) “organizations pass through three stages of development, moving from a unit, to a functional and then to multidivisional structure”. He alleges that firstly the organization is small at inception with a single location, single product and a single entrepreneurial decision maker. Secondly it becomes a unit firm with administrative office to handle interunit co-ordination, specialization and standardization and thirdly the organization moves into vertical integration.

It is at this third stage of growth or development that the organization broadens its scope and strives for economies of scale. At this stage “an organization expands into different industries and diversifies its products” and evolves into a functional organization as asserted by Stoner and Freeman (1992:218). It has to be noted that most parastatals took diversification as an option.

At this stage the challenge that the organization has to address is “selecting products and industries in which to invest the organization’s capital” as pointed out by Stoner and Freeman (1992:218).

The parastatals that took diversification had to be careful in selecting the products to diversify into and in selecting the industries to venture into. There is therefore need to appraise the alternatives before jumping into the unknown waters to avoid making costly decision.
2.8.2. McKinsey’s Seven – S Model

The Seven S Model is, according to Waterman and others in Stoner and Freeman (1992:220), a “framework for change identifying seven key factors that can adversely affect successful change in an organization.

McKinsey’s consultants, Stoner and Freeman (1992:220) say, “that neglecting any one of seven key factors could make the effort to change a slow, painful, and even doomed process”. Therefore any organization that is going through a change process should examine all the Seven Ss for the change not to be slow, painful or doomed.

Figure 2.3  The Seven S Model

Source : Stoner and Freeman (1992:221)
2.8.2.1. Structure

McKinsey consultants, in Stoner and Freeman (1992:220), “point out that in today’s complex and ever changing environment, a successful organization may make temporary structural changes to cope with specific strategic tasks without abandoning basic structural divisions throughout the organization”.

This means that the parastatals had to make changes to their structures in order to cope with the dictates of the options that they chose so as to achieve successful implementation of the commercialization programme.

2.8.2.2. Strategy

The strategy, according to Cole (1997:84), is “the plan, or course of action, for allocating scarce resources over time to achieve the organization’s goals.”

The model “emphasizes that, in practice the development of the strategies poses less of a problem than their execution” as asserted (Stoner and Freeman 1992:221).

The strategy execution refers to strategy implementation. This is an important stage that requires attention. At implementation one has to consider a number of things. The organization has to look at its environment and identify its strengths, weaknesses opportunities and threat in order to determine an appropriate strategy. The commercialization options chosen had to suit the firm’s environmental pressures, internal strengths and weaknesses for it to be successfully implemented.
2.8.2.3. Systems

This, according to Stoner and Freeman (1992:221), “consists of the formal and informal procedures that allow the organization to function, including capital budgeting, training and accounting systems”. Cole (1997:84) defines systems in a similar manner when he says “the formal and informal means by which information is circulated within the organisation (paper, computer files, meetings, etc)”.

Inappropriate systems can hinder strategy implementation. This is supported by Stoner and Freeman (1992:221) when they allege that “systems can overpower expressed strategies”.

It is crucial for an organization to look at its systems and review them to enable them to support strategic implementation. Systems therefore need to be analyzed to enable successful change in an organization.

The commercialized parastatals had to review their financial human resources and management information systems to suit the new scenario brought about by the commercialization programme.

2.8.2.4. Style

According to Stoner and Freeman (1992:221) Style does not refer to personality “but to the pattern of substantive and symbolic action undertaken by top managers. It communicates priorities more clearly than words alone, and may profoundly
influence performance.” Cole (1997:84) puts more simply when he says that style “refers to management style and organisation culture.”

The style of top managers portrays their priority areas and as such the manager’s actions should exhibit commitment to the strategy they set so as to positively influence the performance of other organizational members. Therefore for the commercialization to be successfully implemented the top executives of the entities had to exhibit commitment to the programme through their actions and not simply paying lip service.

2.8.2.5. Staff

Staff refers to, according to Cole (1997:84), “the organization’s personnel (all categories including management)” or members or people who work for the organization. In terms of staff the organization has to look at the following aspects of human resources management as identified by Flippo (1984):

2.8.2.5.1. Procurement

The organization has to recruit adequate personnel in terms of both the numbers (that is quantity) and skill (that is quality) which they should deploy tactfully throughout the organization. So the commercializing entities had to ensure they procure the appropriate personnel geared for the execution of the strategy.
2.8.2.5.2 Development

This includes individual and organizational development.

Individual Development

The organization should organize training programmes both on job training or external college training to develop both the operatives and managers.

Organization Development

The organization should also try to alter its culture through an organization development programme. Benis, in Flippo (1984:219) defines organization development (OD) as “a complex educational strategy intended to change the benefits, values and structure of organizations so that they can better adapt to new technologies, markets and challenges, and the dizzying rate of change itself”.

The commercializing entities had to train their staff operatives and managers to help them develop the necessary skills in line with the paradigm shift. The commercializing entities had to change their way of doing business, beliefs, values and their structures to suit the new dispersion.
2.8.2.5.3. Compensation

This refers to rewards that are offered to staff or employees. This includes the pay and other monetary or non monetary benefits. According to Flippo (1984:281) “---- employee compensation programs are designed to do three things: (1) to attract capable employees to the organization, (2) to motivate them toward superior performance, and (3) to retain their services over an extended period of time”.

Organizations should adequately compensate their employees and managers in order to be able to attract, recruit, motivate and retain them for the good of the organization. To this end the commercializing parastatals had to come up with appropriate employee compensation programmes in order for them to be able to attract people from the private sector, keep employees motivated and retain essential skills within the organization.

2.8.2.5.4. Integration

This refers to the harmonization of “the interests and needs of employees with the objectives of the organization’ as spelt out by Flippo (1984:367). Organizations should give due regard to the motivation of staff, collective bargaining and grievance handling processes in order to achieve industrial harmony.

The commercializing parastatals had to ensure that the interest and needs of their workers were also taken into account through well coordinated motivational packages, harmonious collective bargaining and properly constituted grievance
handling procedures. This would help ensure successful implementation of the commercialization programme.

2.8.2.5.5. Maintenance

This involves the task of maintaining the effective workforce that has been assembled (that is procured, developed, compensated and integrated). Flippo (1984:495) identified two major features of this workforce which must be maintained as "(1) attitudes and (2) physical condition". Communication, guidance and counseling are crucial in maintaining attitudes whereas health and safety programmes help maintain the physical condition of the staff members.

Organizations should endeavor to maintain the desired attitudes in their workers and the desired physical condition of their staff for them to reap better performance from their workers.

The commercializing parastatals had to try and maintain their workers positive attitudes towards the programme. They also had to develop health and safety programmes to ensure that they keep to as low a level as possible, the accident rates now that most of them were going into manufacturing.

2.8.2.5.6. Separation

According to Flippo (1984:547) separation involves three processes which are:
(1) the retirement of older employees
(2) the layoff or release of qualified younger employees no longer needed by the organization, and
(3) the discharge of employees who do not meet the organization’s expectations.

Flippo (1984) points out that all the three processes are important and maybe traumatic events for both the employee and the organization’s management.

Separation may be a traumatic event as alluded to above if – it is not properly managed. There is therefore need for organizations to pay special attention to this aspect and ensure that it is always done fairly and that commensurate terminal benefits are paid on separation.

The commercializing parastatals, particularly those which had to retrench, had to come up with acceptable, fair and just terminal benefits or retrenchment packages as they became known during the commercialization era.

Organizations should regard staffing decisions with some degree of care because, as Stoner and Freeman (1992:222) asserted “successful organizations view people as valuable resources who should be carefully nurtured, developed, guarded, and allocated”. To this end Hunger and Wheelen (2003:139) say that “The implementation of new strategies and policies often calls for new human resource management priorities and a different utilization of personnel.”

2.8.2.6. **Skills**

Stoner and Freeman (1992:222) say “skills” refer to “those activities organizations do best and for which they are known” that Cole (1997:84) refer to as “the distinctive
capabilities or competences of key personnel and the organisation as a whole.”
Strategic changes may require organizations to add one or more new skills.
Organizations may change strategies to focus on new areas or activities thus adding new skills.
The commercializing parastatals that took diversification as an option were kind of adding a new skill to their portfolio and as such they had to adopt some strategic initiatives necessary to venture into new areas.

2.8.2.7. **Super ordinate Goals**
According to Stoner and Freeman (1992:222) “This refers to guiding concepts, values, and aspirations that invite an organization in some common purpose”. Cole (1997:84) refers to super ordinate goals as “the fundamental values or philosophy of the organisation…” Super ordinate goals are often captured in the mission statement of the organization. Stoner and Freeman (1992) argue that the desire to accomplish super ordinate goals separate superior performers from the crowd. It is therefore imperative for an organization to set its super ordinate goals and strive to pursue such goals.

Super ordinate goals should be set with due regard having been given to the strengths, weaknesses, opportunities and threats if they are to be realistic and attainable. The commercializing parastatals had to examine their political, legal, technological and socio-economic environment in order to identify opportunities and threats posed by the environment as well as their internal capabilities, weaknesses and strengths before coming up with their super ordinate goals. The commercialized entities had to passionately pursue their super ordinate goals if they were to achieve superior performance.
2.8.3. **The Change Cube**

According to Mintzberg et al (2003) in what they termed the change cube identified two aspects that are involved as the strategy made up of vision, positions, programs, and products and the organisation comprising culture, structure, systems, and people.

![The Change Cube Diagram](source)

**Figure 2.4. The Change Cube**


In terms of this cube any change situation entails that

- The vision needs rethinking and re conceiving;
- The positions need repositioning or reconfiguration;
- The programs need reprogramming, reworking and reengineering;
- The products need reorganizing;
- Culture needs reorientation;
- Structure needs reorganizing;
- Systems need reprogramming, reworking and reengineering; and
- People need retraining and replacing

The implementation of the commercialisation programme required organisations to make the necessary adjustments in all these aspects as indicated above so as to
suit the dictates of change brought about by commercialisation. This would therefore help the programme to be successfully implemented.

2.8.4. **The Force Field Theory**

Stoner and Freeman (1992:410) say that “According to the “force-field” theory of Kurt Lewin, every behaviour is the result of an equilibrium between driving and restraining forces”.

The driving forces will be pushing one way whilst the retraining forces push in the opposite direction to try and maintain the status quo. The performance that is realized is a reconciliation of the two sets of forces as explained by Stoner and Freeman (1992).

![Force Field Diagram](Figure 2.5. Force Field Diagram)

**Source:** Stoner and Freeman (1992:411)
Stoner and Freeman (1992) remark that programmes of planned change are directed at weakening or even removing the restraining forces whilst creating or strengthening the driving forces. To this end managers should foster the forces of change and to reduce the restraining forces. Managers also need to look for multiple causes of behaviour and not just a single cause as suggested by Stoner and Freeman (1992).

Robbins (2003:564) agrees with Stoner and Freeman when he argues that the status quo can be altered in three ways. “The driving forces, which direct behaviour away from the status quo, can be increased. The restraining forces, which hinder movement from the existing equilibrium, can be decreased. A third alternative is to combine the first two approaches” which is to simultaneously increase driving forces and decrease restraining forces as suggested by Stoner and Freeman (1992).

Bowman (1990:104) proposed three similar ways in which movement to a future vision or desired performance might be speeded up;

“1. Strengthen existing pushing forces
2. Weaken existing resisting forces
3. Add new pushing forces”

The commercializing parastatals had to try to reduce negative group norms, reduce fear of the change brought by commercialization, and retrain its workforce to equip
them with requisite skill and guard against complacency in order to attain objectives of commercialization of improving operational efficiency of public enterprises.

2.8.5. **Three Step Sequential Model of Change**

Kurt Lewin in Robbins (2003:564) “argued that successful change in organizations should follow three steps: unfreezing the status quo, movement to a new state, and refreezing the new change to make it permanent”.

![Figure 2.6. Lewin’s Three Step Change Model](image_url)

**Source:** Robbins (2003:564)

2.8.5.1 **Unfreezing**

It is necessary to move from the status quo and “to overcome the pressures of both individual resistance and group conformity” as pointed out by Robbins (2003:564). Stoner and Freeman (1992:413) pointed out that “unfreezing involves making the need for change so obvious that the individual, group, or organization can readily see and accept it”. The commercializing parastatals had to change their employees’ attitudes and behaviour and develop a new behaviour pattern that portrays their new visions.
2.8.5.2. Movement

This is the process of changing or developing a new behaviour pattern, new values and new attitudes. This may involve engaging a change agent or consultant to assist the organization with this process. Stoner and Freeman (1992:413) assert that “organization members will identify with the agent’s values, attitudes and behaviour, internalizing them once they perceive their effectiveness in performance”. The commercializing parastatals had to try to engage consultants to assist them through this step.

2.8.5.3. Refreezing

According to Stoner and Freeman (1992:413) “refreezing means locking the new behaviour pattern into place by means of supporting or reinforcing mechanisms so that it becomes the new norm”. Refreezing makes the new change permanent as supported by Robbins (2003).

The commercializing parastatals had to reinforce the new behaviour patterns of their members in order to be able to keep up the standards set. Some reward mechanism or motivating actions could be used to maintain the desired attitudes and lock desired the behaviour patterns.

2.9. Performance Measurement

There are a number of ways that performance of an organisation can be measured. The following are the measurement techniques that can be used to determine the impact of commercialisation on the performance of the entities concerned.
2.9.1 Financial Performance Measurement

This involves an analysis of financial data of the firms. There are a number of the financial statement analysis techniques which can be used to assess the performance of organisations. These include;

2.9.1.1 Growth ratios

These are rates of growth of sales, other revenue items, asset base, volume of production or any other measure of improved activity. The growth rates can be expressed as percentages to allow for comparison with figures of the same firm for other periods or comparison with figures for other firms. Financial Analysis techniques of comparative financial statements, indexed financial statements and common size statements are often used to measure growth in financial performance terms.

"Comparative Financial Statements merely comprises drawing up these statements together with comparative figures for a period of 10 years or whatever period is required, in a tabular form in order to assess the trend of the figures over the period. Alternatively key financial data can be drawn from the financial statements and presented in tabular form" Warren (1991:10) explained.

Indexed Financial Statements involves redrafting the financial statements on an index basis that is one year is chosen as a base year. "This base year should preferably be at the beginning of the period as this gives the best overview of the results, but any other year can be chosen to suit a particular need " as suggested by
Warren (1991:13). The base year figures are expressed as 100% and the rest are based on this 100%.

**Common size Statements** are also referred as normalized statements. “This is an analytical technique whereby the financial statements are redrafted in such a manner that each item on the balance sheet is expressed as a percentage of the total of that half of the balance sheet ie the fixed assets will be shown as a percentage of total assets while long term liabilities will be expressed as a percentage of total liabilities” as Warren (1991:15) puts it.

### 2.9.1.2 Liquidity Ratios

There are a number of ratios which are used to assess the liquidity of a firm. Liquidity is an important performance indicator since it determines the capability of a firm to service its debts and fund its business operations. “Liquidity of an enterprise revolves around its ability to meet its short term liabilities (repayable within one year after accounting date) out of short term assets (current assets) and cash flows” Warren (1991:56) noted. According to Warrren (1991) the following ratios are used in the analysis of the liquidity of an enterprise;

(i) Current ratio

(ii) Acid test ratio

(iii) Debt settlement period

(iv) Debtors collection period

(v) Stock turnover period

(vi) Creditors payment period
2.9.1.3 Profitability Ratios

Profitability ratios measure “the efficiency with which profit is earned, “the efficiency with which assets are used” and “the efficiency of outside fund utilization” as pointed out by Warren (1991:25). According to Warren (1991) profitability can be measured using any of the following ratios;

(i) Gross Profit Margin /Gross Profit percentage (GP)
(ii) Mark up
(iii) Return on Equity (ROE)
(iv) Return on Capital Employed (ROCE)
(v) Return on Total Assets (ROA)
(vi) Return on Operating Assets (ROOA)

These ratios if they are calculated over a period will give a good picture of how profitable a business organisation has been. Trend analysis will give an understanding of the performance of an organization over the years. These ratios can be compared with those for similar organisations or industry averages to get a clear picture of the how a firm has been performing profitability wise. These ratios can be used to assess the profitability of the commercialised SOEs and establish a trend of the profitability over the commercialisation era.
2.9.1.4 Failure Prediction

“Failure prediction is an attempt at creating a model which can predict the failure of a business with a high degree of accuracy a number of years before the event” Warren (1991:19) points out. A number of models were given by Warren (1991) that can be used in predicting failure of an organisation namely;

(i) Z-Score Model
(ii) ZETA Analysis Model
(iii) K-Score Model

These models can also be used to assess the risk of failure of the commercialised entity that is to determine whether they are bound to succeed or fall into bankruptcy.

2.9.2 Non Financial Performance Measurement

Performance can also be measured using non financial indicators such as;

(i) Number of outlets/branches/depots
(ii) Number of employees that is employment levels
(iii) Staff turnover rate
(iv) Public image
(v) Corporate Social Responsibility Standing
(vi) Environmental Friendliness
(vii) Industrial Relations or Harmony
(viii) Market Share
2.9.3. The Balanced Scorecard

According to Hunger and Wheelen (2003:156) “The balanced scorecard combines financial measures that tell the results of actions already taken with operational measures on customer satisfaction, internal processes, and the corporation’s innovation and improvement activities- the drivers of future financial performance.

Management should develop goals in each of four areas:

1. Financial: How do we appear to shareholders?
2. Customer: How do customers view us?
3. Internal Business Perspective: What must we excel at?
4. Innovation and learning: Can we continue to improve and create value?
3.0. Introduction

This chapter will explain the research design, methods and techniques of data collection that the researcher employed in this study. In this chapter the researcher will examine the sampling procedure, describe the population and sample size as well as discussing the sampling techniques used and justify the use of such techniques. It is in this chapter where the researcher will give detail of how data gathered is going to be presented and analyzed to enable generation of meaning from the findings.

3.1. Research Design

This is a programme that guides the researcher in the process of collecting, analysing and interpreting the research data. (Brayman 2003), define research design as a “program that guides the investigator on the process of collecting, analyzing and interpreting observations.” It is therefore a logical model of proof that allows the researcher to draw inferences concerning casual relations among the variables under investigation. Research designs specify methods and characteristics of the sample. Robson (1997) concur and state that a research design is, “an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.”
Research designs are done using any one of the approved designs such as historical, descriptive and experimental, (Grimm 1990). All these designs are concerned with systematic collection, presentation and analysis of research data. Krathwohl (1998) stated that,” a descriptive research design is a useful tool for describing data and accumulating extensive evidence to answer the research question.” This is to say, it looks with intense accuracy at the phenomena and then describes specifically what the research sees. Leedy (1997) says, “… appropriateness is the key word in the choice of a research design because there is a unique relationship between the research problem and the research design.” The same author goes further to state that, before selecting the best design, the researcher should employ the one, which is appropriate to his individual abilities and preferences.

In the light of the above considerations this study employed the descriptive survey design, which according to Hart (1998), is, “ concerned with making judgments about effectiveness through gathering data to describe the existing conditions, and identifying standards against which such conditions can be compared. The descriptive research design allows the researcher to gather raw data and describe the scenario items concisely to enable both quantitative and qualitative analysis of data. Boyd et al (2003:128) say that “Descriptive studies, as their name implies, are designed to describe something …” This is supported by Kumar et al (1999:73) when they assert that “the purpose is to provide an accurate snapshot of some aspect of the market environment.”
**Justification for using the descriptive research design**

The descriptive research design was chosen for the following reasons;

(i) It allows the researcher to “obtain a complete and accurate description of a situation” as pointed out by Boyd et al (2003:129). The researcher needed to obtain complete and accurate data on the commercialisation of SOEs in Zimbabwe.

(ii) Its formality of design would help reduce costs of the research since, as stated by Boyd et al op cit “Formal design is also required to forestall collection of unnecessary data. Since description studies often cost many thousands of dollars, the unnecessary expenditures could be large.” Since the researcher had to limit his expenditure this descriptive design which requires a formal design was more appropriate. “The formal design is required to ensure that the description covers all phases required” state Boyd et al (2003:129) in support.

(iii) The descriptive research design would help “to reduce errors in interpreting the data collected” as alleged by Boyd et al (2003:130) particularly if the descriptive study is carefully designed as in this study.

(iv) The descriptive design would allow the researcher “to summarize large quantities of data using measures that are easily understood by an observer” as alleged by Burns (2000:43)

**3.2. Sources of Data**

**3.2.1. Secondary Data Sources**

Information was obtained from a number of publications such as published annual reports of the commercialized firms, minutes of board or senior management
meetings, reports in newspapers or websites on the internet, journals and reports by
government sponsored committees or consultants on commercialization. Secondary
data analysis saves time that would otherwise be spent collecting data and,
particularly in the case of quantitative data, provides larger and higher-quality
databases that would be unfeasible for any individual researcher to collect on their
own. In addition, analysts of social and economic change consider secondary data
essential, since it is impossible to conduct a new survey that can adequately capture
past change and/or developments.

3.2.2. Primary Data Sources

Primary Data was obtained from the target population which comprises Chief
Executive Officers, directors, senior executives, senior managers and ordinary
farmers using interviews and questionnaires.

3.3. Instrumentation : Techniques of Collecting Data

The researcher used a number of research instruments or data collection techniques
in order to gather primary data from the target population.

3.3.1. Interviews

Interviewing is a way of collecting data through direct verbal interaction which
requires face to face discussion with the respondents.
Interview Procedure

One type of interview was administered by the researcher. The researcher interviewed the chief Executive Officers (CEOs) of the commercialized parastatals using the same interview guide (Appendix C). The interviews were meant to obtain useful information on commercialization such as how it was conceived, implemented, evaluated, monitored and assessed. The interviews were also meant to obtain personal opinions/views of the CEOs on commercialization and personal assessment of the challenges faced during commercialization and their personal evaluation of the outcomes of the commercialization programme.

Justification for using interviews

The interview was chosen as it is advantageous in the following ways as stated by Borg and Gall (1983:436-7),

3.3.1.1. Responses to questions can be used in changing the interview situation (that is adaptability);
3.3.1.2. It allows immediate feedback which permits the interviewer to make follow up of the answers given thus obtain greater clarity;
3.3.1.3. If the interviewee is made to feel comfortable he/she becomes most likely to divulge some information, especially about their negative self or negative feelings toward others; and
3.3.1.4. The interview tends to yield more complete data.
3.3.2. Questionnaires

Farrant (1980:60) defines questionnaires as “sets of carefully constructed questions designed to provide systematic information in particular subjects” In other words a questionnaire is simply a document laid out in a form which contains questions aimed at soliciting information from some targeted group or individuals who are deemed to have the desired or required information.

Objectives of the questionnaires

The objectives of the questionnaire were to obtain data from directors and senior executives of commercialized firms that relate to their opinions, complaints, views, sentiments or feelings on the implementation of commercialization programme and on the challenges that were faced or which were still being facing.

Structure or design of the questionnaires

The Questionnaire contained both structured and open ended questions for obvious reasons:

Structured questions were used in order to avoid a situation where, according to Gay (1987:196),

“Sloppy looking questionnaires turn people off, lengthy questionnaires turn people off, questionnaires requiring lengthy response to each question really turn people off! Turning people off is not the way to get them to respond!”

Structured questions were thus used in order to avoid turning people off and increase the response rate.
Structured questions also “facilitate data analysis and scoring is very objective and efficient” as purported by Gay (1987:196). Dichotomous questions (simple choice of say: Yes or No) were used.

**Open ended questions** were also used in the questionnaires in order to allow respondents some room to deviate and give responses not anticipated by the researcher. Thus allowing people to waffle may bring valuable points or interesting points that were never anticipated by the researcher.

**Administration of the Questionnaire**

The questionnaires were issued out to the Chief Executive Officers of the entities studied during the time they were interviewed. The CEOs then used their internal mail system to distribute the questionnaires to the respondents. This procedure was devised as a strategy to deal with the disadvantages of the questionnaire as it is aimed at minimizing costs and ensuring a high response rate.

**Justification for use of questionnaires**

The researcher used the questionnaire despite its main disadvantage of being expensive and time consuming in designing and administering because of the following reasons:-

3.3.2.1. The targeted group or the respondents – the directors and senior executives were not easily accessible to the researcher. It was not possible for the researcher to travel and visit each of them and conduct an interview because of limited time and prohibitive costs.
3.3.2.2. There were no postage/mailing costs involved since questionnaires could be hand-posted by way of issuing them to the CEOs for onward transmission to the directors and senior executives using the firms’ internal mailing system of which the costs were borne by the firms.

3.3.2.3. The use of the questionnaires made it possible to collect data from a much larger sample frame than could be obtained from visiting and interviewing. Gay (1987) argues that questionnaires permit the collection of data from much larger sample than can be obtained from visiting and interviewing.

3.4. Sampling Procedure

**Sampling** – is the selection of part to represent the whole. It is a useful tool in circumstances where the population is large in which case the cost and time associated with gathering data becomes huge and unaffordable. This was also observed by Asker and Kumar (1997). The sample chosen will represent the population and the results can then be generalized to apply to the whole population.

3.4.1. Population Size

**Population** – refers to subjects of a research study that is “the entire set of relevant units of analysis or data” as stated by Nachmias and Nachmias (1996:179). This includes groups of individuals, organizations and events. Sampling is usually used to identify representative subjects from the population from where data is collected and then generalized to apply to the whole population.

The researcher’s subjects of study include

(i) Chief Executives of GMB, Cottco and Dairiboard

(ii) Non Executive Directors
(iii) Senior Managers for the parastatals
(iv) Farmers

3.4.2. Sample Size

A sample is a subset of the population that is used as a basis for generalizations as stated by Nachmias and Nachmias (1996)

The sample sizes used were as follows:-

Table 3.1. Sample Frame and sample Sizes.

<table>
<thead>
<tr>
<th>SAMPLE FRAME</th>
<th>SAMPLE SIZE</th>
<th>DESIRED NUMBER OF RESPONSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Directors</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>24</td>
<td>20</td>
</tr>
<tr>
<td>Farmers</td>
<td>50</td>
<td>30</td>
</tr>
</tbody>
</table>

3.4.3. Sampling Techniques

The subjects were chosen using *stratified random sampling*. This involves putting the target population into sub-groups or strata. Each sub-group like the CEOs sub-group is made up of subjects with similar characteristics in terms of status, responsibilities, accountability and roles. Where the figures in the sub-group are less than ten, 100% sampling was done but where the figures were above ten the subjects were chosen randomly.
Justification for using stratified random sampling

This technique was used for the following reasons;

3.4.3.1. This technique would allow the researcher to put subjects which have similar characteristics into one group since the target population was made up of very diverse elements. The underlying idea in stratified sampling is to use available information on the population “to divide it into groups such that the elements within each group are more alike than are the elements in the population as a whole.” The various subgroups are made up of elements who are more alike than elements in the population as a whole and as such the samples chosen would adequately represent the population and thus “increase the level of accuracy when estimating parameters” as asserted by Nachmias and Nachmias (1996:188).

3.4.3.2. The technique gave each subject an equal opportunity of being chosen. This kind of enhances data validity. Data validity, according to Borg and Gall (1989:250), is “the degree to which a test measures what it purports to measure” The results of the study are therefore going to be more credible because of the use of random sampling that the researcher employed in picking subjects from each sub-group.

3.4.3.3. The technique allowed the researcher cut on costs of data collection as “Stratified sampling considerably reduces the cost of execution” as asserted by Nachmias and Nachmias (1996:188)
3.5. **Data Presentation and Analysis**

The researcher is going to make use of tables, graphs, diagrams and figures with accompanying explanatory notes. In presenting and analyzing data the researcher shall use the following techniques;

### 3.5.1. Deductive Techniques

This is a process by which one arrives at a reasoned conclusion by generalization of known facts. This process emphasizes the examination of theory and making empirical checks to verify the correctness of theory.

**Justification**

The researcher needs deductive techniques to test whether the arguments presented by the respondents are valid or not.

### 3.5.2. Inductive Techniques

Cooper and Schindler (2003) points out that induction is a process where we observe certain phenomena and arrive at conclusions based on the observations. In other words we logically establish a general proposition based on observed facts.
Justification

Inductive techniques were used because they are an inferential jump beyond the evidence presented. The evidence of findings can be linked with the assumptions or beliefs we hold about something.

3.5.3. Narrative Techniques

According to Cooper & Schindler (2003), narrative techniques are techniques that places emphasis on elegant, conceptualizations and logical deductive procedures and more explicitly emphasizes on observations and data oriented explanations.

Justification

The researcher used this technique for it gives one an opportunity to explain the variables and make meaningful conclusions and recommendations.

3.6 Summary

It can be concluded that data was successfully collected by the researcher.

This chapter has exhibited the applicability of the descriptive research design chosen. The instruments chosen proved to be adequate in collecting data for the research. The data collected shall be presented, collated, analyzed and interpreted in chapter four.
Chapter 4

Data Presentation and Analysis

4.0. Introduction

In this chapter the researcher will collate, present, analyze and interpret data collected using questionnaires and interviews. The questionnaires were given to directors, senior executives and senior managers (Appendix A) as well as to the customers of the commercialized entities (Appendix B). The interviews were done with the Chief Executive Officers of GMB, Cottco and Dairiboard using the same interview guide (Appendix C). The chapter will present and analyze the data in three parts viz a vis:

4.1 Data obtained from directors, senior executives and managers;

4.2 Data collected from the farmers or clients of the commercialized entity; and

4.3 Data solicited from the Chief Executive Officers of the commercialized entities.

4.1. Data Collected from directors, Senior Executives and/or Senior Managers

<table>
<thead>
<tr>
<th>Organisation</th>
<th>No. of questionnaires issued</th>
<th>No. of responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMB</td>
<td>15</td>
<td>15</td>
<td>100%</td>
</tr>
<tr>
<td>Cottco</td>
<td>15</td>
<td>10</td>
<td>67%</td>
</tr>
<tr>
<td>Dairiboard</td>
<td>15</td>
<td>12</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45</strong></td>
<td><strong>37</strong></td>
<td><strong>82%</strong></td>
</tr>
</tbody>
</table>
4.1.1. Responses On Whether Their Firm Was Fully Commercialized or Not

Table 4.2. Level of commercialisation

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Response</th>
<th>No. of Frequency</th>
<th>Percentage of Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMB</td>
<td>Yes</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>15</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>15</td>
<td>100%</td>
</tr>
<tr>
<td>Cottco</td>
<td>Yes</td>
<td>10</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>10</td>
<td>100%</td>
</tr>
<tr>
<td>Dairiboard</td>
<td>Yes</td>
<td>12</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>15</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Questionnaire

- From the table it can be seen that 100% of respondents from GMB responded with a NO and 100% of respondents from both Cottco and Dairiboard responded with a YES. Respondents from Dairiboard and Cottco indicated that all aspects of their organizations were commercialized. Respondents from GMB pointed out that only the silo range of products and the stock feeds projects were commercialized. They pointed out that the strategic grain reserve was still under Government control. The government still retains the mandate to charge the producer and selling prizes of maize. However, silo products were being charged profitably. Dairibord’s implementation was characterized by the following:

- Staff reduction (from 3600 to 1500) which translated into a saving of Z$25 million per annum.
- Outsourcing of non-core business activities such as laundry, printing and catering.
• Franchising some distribution functions (i.e. depot operations) to former DMB employees who had opted to leave the company.

• Improved operational efficiency. Profit Enhancement Programmes (PEP) resulted in savings of Z$16 million per annum in payroll costs, and a further Z$19 million in distribution costs.

• Timeous review of both producer and consumer prices, as well as staff conditions of service based on market forces.

• Aggressive marketing where branding took centre stage.

• Reorganisation to create a lean and responsive organisation structure.

The managing Director for Cottco expressed that, as part of government’s economic reforms, the CMB was fully commercialised and its successor, Cottco, was privatised in October 1997 and listed on the ZSE in December that year, with government retaining a 25 percent shareholding.
4.1.2. Responses On Whether Commercialization Was a Good Strategy

Figure 4.3 Rating of commercialisation
Source: Questionnaire

Figure 4.1.2 above shows different rating to commercialisation and 60% of the respondents viewed commercialisation as the best option for state owned companies and 40% were of a different view. The 40% felt that the commercialisation efforts that were undertaken by parastatals are not fruitful because it will not eliminate political interference. They believe the motive of commercialisation will be tempered with by greedy politicians when they are in dear need of votes. The resolution was that for effective commercialisation to be successful parastatals should be privatised and owned by private individuals. Their opposing view to this mode of commercialisation was complimented in the literature review by the International Monetary Fund that advocate for individual ownership of previously state owned enterprise. Those
who advocated that commercialisation was the best option believed that commercialisation was the best impetus for product development, product promotion, product research and new and improved marketing strategies. Respondents from Dairiboard and Cottco indicated that commercialization had enabled them to expand their operations due to flexibility in pricing. The dairiboard Managing Director expressed excitement that the company did not need to go back to the government to seek for approval to carry on projects that benefit the organization. He also indicated that they did not need to go back to Government with a bagging bowel to seek for assistance since the company was making huge profits. For example he cited that they had made a profit of seven million United States dollars in profits for the year 2012 and they had bought 250 heifers for $500, 000 with an intention to increase a steady supply of milk. Respondents from Cottco also noted that they had managed to increase their depot network as a result of commercialization. In addition, they also indicated that they could now charge competitive prices for cotton.

4.1.3. Responses On Whether Commercialization Was Properly Implemented

Table 4.4. Results of Whether Proper Implementation was Done

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Frequency</th>
<th>Percentage of Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>57%</td>
</tr>
<tr>
<td>No</td>
<td>16</td>
<td>43%</td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: questionnaire

The table shows that 57% of the respondents said YES whereas 43% said NO when asked whether commercialisation was properly implemented.
Respondents from GMB indicated that only the silo range of products and the stock feeds project were commercialized. They said the strategic grain reserve was still under Government control. Respondents from Dairiboard and Cottco indicated that commercialization was properly implemented. The two entities were allowed to charge profitable prices on all the services and products that they deal in. As a result, the two companies have managed to remain competitive on the market.

4.1.4. Responses On Whether Commercialization Brought About the Desired outcome

Table 4.5. Results of Whether Commercialization was Desirable

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Frequency</th>
<th>Percentage of Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
<td>73%</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: Questionnaire

The table shows that 73% responded with a YES when asked whether commercialisation brought about the desired outcome or expectations and 27% responded with a NO.

The table shows that the respondents had wide ranging views on whether parastatals had changed their profitability fortunes. 27% felt that there was no change as to the profitability of some of the companies and their supporting evidence was that some companies, for example GMB are still under Government control and should publicize their financial statements which they have not done since going commercial. Some respondents applauded commercialization for giving way to flexibility in pricing and efficiency in companies like Cottco and Dairiboard.

Respondents from Dairiboard indicated that they had managed to introduce a wide
range of new products and this has widened their product portfolio. They also indicated that they had also managed to rebrand part of their current product line in order to remain competitive on the market. In addition, the respondents noted that the company found its way on to the Zimbabwe stock exchange as a result of commercialization. The managing director said that the company managed to introduce new products like Rabrow Salad cream and ice creams which have proved to be very competitive on the market. He said the commercialization drive gave the organization new energy to restrategise and find ways of beating competition.

Some of the benefits that came along with the successful commercialisation of DMB were as follows:

- Increased consumer choice as the company embarked on a product value addition thrust.
- Government no longer had to finance operational deficits.
- Government now earned dividends and also enhanced its revenue through tax charges.

4.1.5. **Responses On What Challenges were Encountered During the Process of Commercialization**

The respondents cited the following challenges;
4.1.5.1. **Resistance from some workers and/or managers**

The responses indicated that the organisation faced both individual and organisational resistance (refer section 2.4.3.1 and 2.4.3.2) which indicates some of the sources of resistance.

4.1.5.2. **Political interference**

The respondents cited Political interference as one factor that affected pricing decisions of the commercialised firms. Products such as milk, maize, wheat, mealie-meal continued to be subject to government control. This resulted in shortages or non availability of such products on the market and thus affecting the viability of the firms concerned refer to section 2.4.1.1 which indicates that Government attitude towards business may change depending the environment.

4.1.5.3. **Funding for the retrenchments**

Information obtained pointed to the fact that most commercialized firms resorted to retrenching their employees. Since these commercialised firms all adopted retrenchment as an option, they all faced huge bills of retrenchment packages. The firms had to pay severance packages to the retrenched employees.

4.1.5.4. **Lack of adequate capitalization.**

65% of the senior managers pointed out that Parastatals needed funding for diversification and/or new product development. In most cases the firms needed new technology suitable for the diversification
and/or new products. As indicated in section 2.4.1.4, which points out that technology poses a major challenge as it is just as vulnerable as cash. Such funding could be obtained from the privatisation or joint ventures. As illustrated in section 2.3.4, Dr. Gono indicated that Strategic Alliances and joint ventures will facilitate the injection of additional capital, as well as modern technology and equipment.

4.1.5.5. **Technological obsolescence or lack of appropriate advanced technology**

Respondents pointed out that companies also faced the unavailability of suitable advanced technology for their diversification to succeed. They also faced scarcity of foreign currency which they needed to acquire the equipment or technology from abroad (refer sections 2.4.1.1 and 2.4.1.5)

4.1.5.6. **Skills deficiency within the current workforce**

Respondents also cited that members of the organisations lacked the skills needed to manage the new business endeavors as their knowledge became obsolete and irrelevant due to changes brought about by commercialisation (refer section 2.4.2.2)

4.1.6. **Responses On Whether They Think Their Customers are Happy with Commercialization**

Table 4.6. Analysis of the Customer Perspective Rating

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Frequency</th>
<th>Percentage of Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>37</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>100%</td>
</tr>
</tbody>
</table>
Source: Questionnaire

The table shows that 100% of the respondents said YES when asked whether they think their customers are happy with the commercialisation of their organisations.

This shows that the respondents feel that their customers are benefiting from their organizations’ commercialization through improved service or product offering.

The introduction of the inputs credit scheme attracted a lot of support from farmers. Under the scheme cotton farmers can access credit in the form of cash or inputs to assist in producing their crop. Repayment is made when the seed cotton is sold to the company. Since the scheme's inception, ten years ago, Cottco has allocated over $30 billion to over 600 000 participants. By doing so, the area planted to cotton by smallholder farmers has more than doubled over the same period to over 376 000 hectares, with similar production increases culminating in smallholders yielding 297 000 tonnes in 2000/1, almost 90 percent of national production. Sylvester Nguni is proud of this achievement and believes sustainable national production of 350 000 to 400 000 tonnes, almost all coming from smallholders, is achievable.

The spin-off effects of Cottco's thrust into smallholder production are most visible in areas such as Gokwe. There, the Cottco ginnery was the catalyst for commercial development and thousands more people were brought into the cash economy. Infrastructural development has followed and banks, and even nationally branded fast-food outlets now operate there.

Cottco has also supported its farmers, and the wider community, through a comprehensive stakeholder support programme. It is interested in health and
education and provides support, both material and financial, to schools in growing areas. As well as building classroom blocks for example, a novel approach has been to encourage schools to join its inputs credit scheme. Pupils, under the expert guidance of Cottco field staff, learn about cotton production, and the schools’ crops are financed and make a profit at harvest time. Fresh water supplies and assistance with HIV/AIDS awareness programmes also attract Cottco funding.

### 4.1.7. Responses On Whether Their Organization Remitted Any Dividends to the Government After Commercialization

#### Table 4.7. Analysis of Dividend Payments to the State

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Response</th>
<th>No. of Frequency</th>
<th>Percentage of Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMB</td>
<td>Yes</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>15</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>15</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>Cottco</td>
<td>Yes</td>
<td>10</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>10</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>Dairiboard</td>
<td>Yes</td>
<td>12</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>15</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Source: Questionnaire*

The table shows that all Executives and senior managers in GMB who responded said **NO** and those from Cottco and Dairyboard said **YES** when they were asked whether their organisation remitted any dividends to the government after commercialisation. This clearly shows that in terms of profitability the firms met with mixed fortunes. This could be attributed to the fact that GMB was not fully commercialised as shown in section 4.1.1. whilst the other two were fully commercialised. Dairibord executives expressed that Government was now earning
dividend and tax charges as a result of commercialization. The ownership structure is currently as follows:

- General Public: 15%
- Government of Zimbabwe: 25%
- Strategic Investor: 25%
- Employees: 10%
- Large Scale Farmers: 10%
- Small Scale Farmers: 5%
- National Investment Trust (NIT): 10%

Executives from Cottco expressed that Cottco's owners, the shareholders, its raw materials suppliers, the cotton farmers, and those who operate the company, the employees, form a business partnership rarely found in today's Zimbabwe. They also pointed dividends have been paid to the Government.

4.1.8 Responses On What They Think are the Benefits of Commercialization

The respondents pinpointed the following:

(i) **Improved service delivery**

All the managers concurred that commercialization had given them an opportunity to restrategise and find ways of beating rivals. In all cases service delivery improved immensely.

(ii) **Flexibility in pricing policies**

Respondents from Dairiboard cited that fresh milk, sterilized milk, lacto, yoghurts, ice creams and rabrow salad cream have competed
very well on the market due to flexible pricing that was enabled by commercialization. The same sentiments were echoed by GMB. Respondents from Cottco expressed that it is known that the cottco brand attracts substantial premium over market prices for its lint although Mr Sylvester Nguni was a bit hesitant to put a figure.

(iii) **Cost reduction**

There was a significant reduction of costs through retrenchments which cut on labour costs, effective utilization of resources like machinery.

(iv) **Increased productivity**

Productivity was enhanced due to well remunerated and dedicated workforce as well as capacity utilization.

(v) **Improved staff welfare and employment benefits**

Due to high profits, these organizations managed to pay their employees adequately thereby retaining competent workforce.

(vi) **Offering variety to customers through diversification**

The majority of respondents cited that they had widened their product portfolio. Dairiboard now manufactures a wide range of Dairy based food and beverage products. These include salads and yoghurts. GMB also introduced a range of silo products which include silo rice, silo salt, silo nyemba, silo samp, silo nyimo and many others.
(vii) Increased turnover or sales volumes
Dairiboard made over seven million dollars profit after tax in 2012 and GMB made a profit of twenty five thousand dollars in the same year.

(viii) Improved financial position
Dairiboard and Cottco are highly capitalized.

(ix) The firms cease to be a burden on the central government
GMB still relies on Government subsidies on grain purchases whereas Cottco and Dairiboard are operating profitably and paying Dividends to Government.

4.2. Data Collected From Farmers or Clients of the Commercialized Entities

Table 4.8. Analysis of Response Rate from Farmers

<table>
<thead>
<tr>
<th>No. of Questionnaires Issued</th>
<th>No. of Responses Received</th>
<th>Percentage Response Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>87</td>
<td>58%</td>
</tr>
</tbody>
</table>

Source: Questionnaire

The table shows that 58% of the respondents responded to the questionnaire.
4.2.1. Responses On Whether They Think Commercialization Was Beneficial To Them As Farmers or Clients of the Commercialized Entity

Table 4.9. Analysis of Responses of GMB Clients

<table>
<thead>
<tr>
<th>Organisation which they deal with</th>
<th>Response</th>
<th>No. of Frequency</th>
<th>Percentage of Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMB</td>
<td>Yes</td>
<td>22</td>
<td>81%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>5</td>
<td>19%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>27</td>
<td>100%</td>
</tr>
<tr>
<td>Cottco</td>
<td>Yes</td>
<td>19</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>15</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>34</td>
<td>100%</td>
</tr>
<tr>
<td>Dairiboard</td>
<td>Yes</td>
<td>11</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>15</td>
<td>58%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>26</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Questionnaire

The table shows that 81% of GMB customers are happy with commercialisation whilst 56% and 42% of Cottco and Dairiboard clients respectively are happy with their commercialisation. The table also shows that 19% of GMB customers are not happy with its commercialisation as opposed to 44% and 58% for Cottco and Dairiboard respectively.

The results show that 81% of the farmers who deal with GMB are happy with the commercialisation of the parastatal. The results also show that 56% of those who deal with Cottco are happy with the programme whilst only 42% are happy with the commercialisation of the Dairiboard.

The results portray the picture that GMB, which is not doing so well financially (refer to the background to the problem in section 1.1) is scoring highly in non financial terms or balanced scorecard measures such as customer perspective, internal business perspective and innovation and learning (refer to section 2.6.3). GMB is now offering more to the customers in terms of variety and services whilst the others
are cutting on expenditures on customer services and innovation in line with the profit maximization motive that they are pursuing following their commercialisation and later privatization.

This is contrary to the finding in section 4.1.6 (refer to table 4.6) where all the managers felt that their customers are happy with commercialisation. This is mainly because they all thought their customers appreciate their financial positions and their performance. The customers themselves do not seem to be interested in the financials but the services that they receive from the organisations particularly at affordable prices which is what the GMB does.

4.2.2. Responses On What Problems They Face With The Commercialized Entities

i) Delays in payment to farmers
   All farmers who deal with GMB complained that they were not getting their grain payments in time.

ii) Lack of sufficient inputs particularly fertilizer
   Farmers felt that the commercialized companies were not doing enough to ensure that they get adequate inputs.

(v) High interest rates for loans given to farmers
   It was a common grievance by farmers that the interests that they were being charged were too high.

(vi) Low producer prices for their produce
   All farmers complained that they were not getting viable prices of their produce
(vii) **Lack of support services**

Dairy farmers complained that they were not being assisted with heifers for milk whilst Cottco and GMB farmers lamented over the failure by their respectful organizations to supply them with adequate inputs.

(viii) **Transport problems**

Respondents from GMB cited that GMB was not providing transport to ferry their produce to the depots. The same sentiments were echoed by cottco and Dairiboard customers. Dairiboard customers complained that they were not being assisted by Dairiboard to ferry their milk to the depot.

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**RATING OF COMMERCIALIZATION OPTION**

![Pie chart showing 80% Yes, 20% No]

**Figure 4.2.3 Rating of commercialization option**

Figure 4.2.3 shows the rating of whether farmers believed that commercialization was the best option for parastatals and 80% of them believed that commercialization was the best option. 20% opposed the idea of
commercialization. Those who opposed to the idea cited the need for the parastatal to change personnel in leadership. They viewed political appointees as partisan in the discharge of their duties, and have limited commercial business knowledge.

The 80% cited that commercialization would bring about new methods of doing business, new products, new entrepreneurial skills and a profit motive to the business. This view was reinforced by Callon (2003) who advocates that commercialization generally refers to taking the product of research whether private or public is immaterial and building a business out of that idea.

4.3. Data Collected From the Chief Executive Officers

4.3.1. Responses On When Commercialization of Their Organization Began and On How Long the Implementation Process Took

Table 4.10. Commercialization Implementation Period

<table>
<thead>
<tr>
<th>Organization</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMB</td>
<td>1995</td>
<td>Date</td>
</tr>
<tr>
<td>Cottco</td>
<td>1992</td>
<td>1996</td>
</tr>
<tr>
<td>Dairiboard</td>
<td>1994</td>
<td>1997</td>
</tr>
</tbody>
</table>

Source: Questionnaire

The table shows that GMB started commercialisation 1995, Cottco started in 1992 and Dairiboard began commercialisation in 1994. It also shows that GMB is still continuing with commercialisation whilst Cottco finished the commercialisation in 1996 and Dairiboard finished in 1997.
It can be seen that the commercialization started in the 90s and gathered momentum in the mid 90s. It can also be seen that the implementation of commercialization takes varying time frame from one organization to another.

4.3.2. On What Forms of Commercialization Their Organization Adopted

4.3.2.1. GMB Adopted the Following:-

(i) Deregulation of pricing and marketing policies (refer section 2.3.1)

(ii) Diversification and new product development (refer section 2.3.6)

(iii) Contracting out non-core activities (refer section 2.3.2)

(iv) Retrenchment (refer section 2.3.5)

(v) Debt relief or debt takeover by government (refer section 2.3.3)

(vi) Restructuring and reengineering (refer section 2.3.3)

(vii) Disposal of non performing assets (refer section 2.3.5)

4.3.2.2. Cottco Adopted The Following:-

(i) Deregulation of pricing decisions (refer section 2.3.1)

(ii) Contracting out non core activities (refer section 2.3.2)

(iii) Retrenchment (refer section 2.3.5)

(iv) Restructuring and reengineering (refer section 2.3.3)

4.3.2.3. Dairiboard Adopted The Following:-

(i) Contracting out or outsourcing non core activities (refer section 2.3.2)

(ii) Retrenchment (refer section 2.3.5)

(iii) Diversification and new Product Development (refer section 2.3.6)

(iv) Deregulation of pricing policies (refer section 2.3.1)
4.3.3. **On What Challenges They Faced in Implementing the Commercialization Programme**

The challenges given were similar to those which were raised by directors, senior executives and senior managers in Section 4.1.5 above and these include:

1. Resistance from workers/managers
2. Funding for retrenchment
3. Lack of adequate capitalization
4. Lack of appropriate technology

4.3.4. **On What Benefits They Thought Were Derived From Commercialization.**

The benefits cited were similar to those raised by managers and directors in Section 4.1.8 above and these are:

(i) Improved service delivery
(ii) Flexibility in pricing policies
(iii) Cost reduction
(iv) Increased productivity
(v) Improved staff welfare and employment benefits
(vi) Offering variety to customers through diversification
(vii) Increased turnover or sales volumes
(viii) Improved financial position
(ix) The firms cease to be a burden on the central government
(x) Empowerment of the small businesses through contracting out certain services to them
4.3.5. On Whether The Commercialization of Their Organization Was Successful

Table 4.11. Response Rate for CEOs.

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of frequency</th>
<th>Percentage of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Questionnaire

The table shows that 100% of the interviewees believed that commercialisation was successful.

- Cottco’s Managing Director expressed that Cottco is frequently cited as a model privatisation, satisfying the needs and aspirations of government, employees, shareholders and both suppliers and customers. He indicated that significant contributions to the fiscus in corporate taxation, healthy returns to investors and the means of livelihood to hundreds of thousands of small-scale farmers would justify this claim. Due to commercialization Cottco has managed to develop a marketing system which avoids the downside of daily price gyrations but takes advantage of price trends. By identifying and satisfying the needs of individual spinning mills in the main textile markets of Europe and the Far East, and deliberately positioning its lint product to compete with top-end Californian and Australian styles, it has added value to its product and can now pre-sell, on forward contract, much of its annual production.

The managing Director for Dairibord cited the following as the desired outcomes for Dairibord:

- The development of a competitive industry which serves consumers well
resulting in economic growth.

- Wider shareholding structure deliberately targeted at certain sectors. (e.g. the indigenous population in need of economic empowerment).
- Flexibility of enterprises in accessing capital, know-how, and markets.

4.4. **Summary**

This chapter presented, analysed and interpreted data that was collected using data collection instruments discussed in chapter three. From the findings of this chapter, conclusions and recommendations will be drawn in chapter five.
Chapter 5

Summary of Findings, Conclusions and Recommendations.

5.0. Introduction

This chapter's thrust is to give a summary of the research findings and then make sensible conclusions.

5.1. Summary of findings

It was found out that;

5.1.1. GMB was not fully commercialized whilst the other marketing boards CMB and DMB were fully commercialized and later privatized (refer to section 4.1.1 and 4.1.2).

5.1.2 Commercialization was a good strategy for turning around the fortunes of state owned enterprises. The firms scored documented successes, some financially and others in non financial terms (refer to section 1.1 for the financials and section 4.1.4 and 4.2.1)

5.1.3 Problems and challenges were encountered in the implementation of the commercialization strategy to the extend that compromised its overall success (refer to sections 4.1.5)

5.1.4 Commercialization really brought about the desired benefits/outcome of bringing the firms to some commercial footing (refer to section 4.1.8)
5.1.5 Those entities which were fully commercialized ended up paying dividends or remitting dividends to the government after commercialization (refer to section 4.1.7).

5.1.6 Customers rated those firms that fully commercialized lower than those that partially commercialized (refer to section 4.2.1).

5.1.7 Clients or customers still face problems with the commercialized entities (refer to section 4.2.2)

5.1.8 There are no hard and fast rules on how long it should take an entity to implement commercialization (refer to section 4.3.1)

5.1.9 The entities that commercialized used various forms of commercialization (refer to section 4.3.2.1 and section 2.3).

5.2. Conclusions

From these findings it can be concluded that;

5.2.1 Fully commercialized and privatized entities tend to perform better financially than partially commercialized ones (refer to sections 4.1.1, 4.1.2, 1.1 and 5.1.1).

5.2.2 Commercialization is in deed a useful tool or strategy for changing the fortunes of struggling state owned enterprises (refer to section 4.1.1, 4.1.2, 1.1 and 4.2.1, 5.1.1 and 5.1.6)

5.2.3 Commercialized entities often face challenges during the implementation stage for which they need to strategize on how to deal with them (refer to section 4.1.5 and 5.1.3)

5.2.4 The firms that were commercialized met with mixed fortunes with some doing so well whilst others continued to struggle. This can be attributed to
how well the firms managed the implementation of the strategy (refer to section 1.1 and 5.1.5).

5.2.5 The SOEs which commercialized benefited immensely from the process. In all cases the performance measured by level of output, gross revenues or earnings and other non financial measures are quite impressive in comparison to pre-commercialization era (refer to section 1.1, 2.6 and 4.1.8, 4.1.4, 4.1.2).

5.3. **Recommendations**

It is recommended that;

5.3.1 In order to enhance the success of the commercialization process and minimize the impact of the various challenges, firms which commercialize develop a communication strategy that seeks to clearly define deliverables in the implementation plan and setting targets for the stipulated deliverables.

5.3.2 For the effective turnaround to be achieved through commercialization the entity that would have been commercialized should then be privatized to give it the leeway to operate commercially with little or no political interference

5.3.3 There should be capital injection into the entity being commercialized. This can be achieved through joint ventures or privatization but the government should allocate a vote from the fiscus to the firm to be commercialized in order to put the implementation process into motion.

5.3.4 All the other SOEs that have not yet been commercialized be commercialized for the good of the nation
5.3.5 A further study be carried out to determine the impact of commercialization on the national accounts, welfare and corporate social responsibility.

5.4. **Summary**

This chapter has summarized the findings of this study and made conclusions on those findings. The researcher has concluded that commercialisation was a useful strategy for turning around the fortunes of struggling SOEs. In view of these findings and the aforementioned conclusion the researcher recommends commercialisation of the SOEs which are not yet commercialised.
References


7. *Project Guidelines* Faculty of Commerce and Law, Zimbabwe Open University.


13. Article on the Internet websites among others:
i) www.africafiles.org/article.asp?
ii) www.wbln0018.worldbank.org/oed/addoclib.nsf
iv) www.rbz.co.zw
v) www.gmbdura.co.zw
vi) www.dzl.co.zw
vii) www.cottco.co.zw
APPENDIX A

RESEARCH QUESTIONNAIRE ON COMMERCIALISATION OF STATE OWNED ENTERPRISES AS A STRATEGY TO TURN THEM AROUND.

RESPONDENTS: Directors, Senior Executives and Senior Managers.

Forenote

This questionnaire is presented to you by Wesley Collen Mvumi, a student at Bindura University of Science education who is doing a Master in Business Leadership. The information is needed solely for academic purposes and will not be used for any other purpose except academic research. I therefore kindly and sincerely request your cooperation in answering questions that I put before you.

1. Indicate which organization you work for.

   GMB  
   Cotco  
   Dairiboard  

And your job title is ........................................................................................................

2. (i) Was your organization fully commercialized? Yes □  No □

   (ii) If your answer is No. What aspects of your organization were commercialized and which ones were not?

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3. In your opinion do you believe that commercialization was a good strategy?

   Yes □  No □

   Why

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4. For your organization, do you think its commercialization was properly implemented?

   Yes □  No □
5. Do you think commercialization brought about the desired outcome of turning around the fortunes of your organization?

**Yes** ☐  **No** ☐

Explain

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6. What challenges did you encounter during the process of commercialization?

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**NB**  Extra paper could be used if this space is not adequate.

7. In your own opinion, do you think your customers are happy with the commercialization?

**Yes** ☐  **No** ☐

**Why do you think so?**

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8. Have you, as an organization that has been commercialized, remitted any dividends to the government?

Yes ☐ No ☐

9. What do you think are the benefits that were brought about by commercialization of your organization?

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APPENDIX B

RESEARCH QUESTIONNAIRE ON COMMERCIALISATION OF STATE OWNED ENTERPRISES AS A STRATEGY TO TURN AROUND THEIR FORTUNES.

RESPONDENTS: Farmers

Forenote

This questionnaire is presented to you by Wesley Collen Mvumi, a student at Bindura University of Science Education who is doing a Master in Business Leadership. The information is needed solely for academic purposes and will not be used for any other purpose except academic research. I therefore kindly and sincerely request your cooperation in answering questions that I put before you.

1. Which organization do you deal with in marketing your produce?

GMB □ Cotco □ Dairiboard □

2. Do you think the commercialization of the organization you chose in question 1 was beneficial to you as a farmer? Yes □ NO □

3. What problems do you face in dealing with the organization selected in question 2?

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i) .................................................................

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ii) ...........................................................................

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iii) ...........................................................................

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iv) ...........................................................................

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APPENDIX C

Interview Guide used to interview the Chief Executive Officers.

(i) Greetings

(ii) Introductions

(iii) Interview Questions

1. When did the commercialization of your organization begin?
2. How long did the implementation process take?
3. What forms of commercialization did your organization adopt?
4. What challenges did you face in implementing the commercialization programme?
5. What benefits do you think was derived from the programme of commercialization?
6. Do you think the commercialization of your organization was successful?
7. What suggestions can you make to the authorities on how best to commercialize other entities not yet commercialized.