AN INVESTIGATION INTO THE SME SURVIVAL STRATEGIES IN A TURBULENT ENVIRONMENT: CASE STUDY OF ZIMBABWE (2008-2018)

BY

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DEDICATION

I wish to dedicate this research project to the Almighty God who helped me throughout this journey and to my family and friends for their unwavering support.
ABSTRACT

The study focused on SME survival strategies in a turbulent environment in Zimbabwe from 2008 to 2018. The major objectives of the study were to determine business survival strategies that were used during economic downturn, to determine the effectiveness of business survival strategies that can be used in turbulent times and to recommend SMEs business survival strategies that can be used in turbulent times. The instruments used for data collection were questionnaires and interviews. Information was collected from managers and owners of SMEs. A sample of 55 respondents was used. Pilot study was used to ensure reliability and validity of the study. The findings indicated that SME used diversification, converting weak currency to stable foreign currency, constantly repricing goods and services, reducing credit sales, maintaining loyal customers and quality reduction. The findings also reveal that the survival strategies were effective because the SMEs under study managed to survive and most of them had breakeven and few percentage improvements in terms of profitability. They also used motivation, time management, planning and interpersonal skills as management skills. The findings also revealed that younger managers between the age of 21 and 30 are employed by SMEs because they are more vibrant. The study also revealed that a large number of SMEs prefer to employ educated managers because they can be able to implement effective survival strategies in economic crisis.
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<td>CMA</td>
<td>Common Monetary Area</td>
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<td>MSME</td>
<td>Micro Small and Medium Enterprises</td>
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<td>OECD</td>
<td>Organization for Economic Corporation Development</td>
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<tr>
<td>RBZ</td>
<td>Reserve Bank of Zimbabwe</td>
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<td>SADC</td>
<td>Southern African Development Corporation</td>
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CHAPTER I

INTRODUCTION

1.0 Introduction
This research study concentrates on the Small to Medium Enterprises operating in Zimbabwe. The study aimed at investigating the survival strategies used by SMEs in a turbulent environment in Zimbabwe. The chapter presents background to the study, problem statement, research questions, limitations, delimitations, significance of the study and chapter summary.

1.1 Background of the study
1.1.1 Global perspective
SMES contribute significantly to economic growth and development around the globe. Small to Medium Enterprises play a pivotal role in the economic well-being of a country through provision of goods and services, employment creation and contributing revenue for the fiscus (Munanga, 2013). Hyperinflation is considered the worst economic crisis that any country can face. The 20th century experienced more than 28 hyperinflations (Benholz, 2003). Most 20th century hyperinflations were triggered by monetary chaos that caused by world war one and world war two and the downfall of communism. Some of the countries affected by hyperinflation include German, Hungary, Greece, Poland and Zimbabwe. SMEs in these countries were affected a great deal but some managed to survive by using some business survival strategies to see them through the economic hardship of hyperinflation. Hyperinflation causes the downfall of normal business operations. Hyperinflation calls for the government intervention and political interference which causes the suffering of SMEs because of their size, they struggle to maintain the capital base, access funding and importing raw materials (Chisasa, 2013).

The concept of SME was presented in the development and growth site in the late 1940s through the introduction of targeted policies and the establishment of SME support
agencies by authorities for instance in Japan 1948 publicly funded SMEs were put in place, 1953 in USA 1954 in India, 1966 in Tanzania and 1976 in Turkey (OECD, 2004). SMEs play an essential role in the world economy of economic growth. In 1985 in European community 3 people out of every 25 were free from business, so an investigation was made and the results were that in order to increase employment there is need to increase support for SMEs (OECD, 2009). In the 21st century, in developed nations, policies of SMEs ought to focus on improving dynamic enterprising not concentrating on increasing employment (Sariaslan, 1994).

According to Lukacs (2005), 99% of the 19.3 million enterprises in the European Union are small to medium enterprises hiring 75 million workers. Also, of the micro enterprises, 35 000 companies have more than 250 workers and 18 million enterprises employ fewer than 10 people. Only 4 people are employed by an average European enterprise including the manager with an average turnover of 500 000 euro95% of enterprises in most (OECD) countries, have 95% of the SMEs with over half of them making the private sector employment. Approximately 80-90% of Latin American countries are micro enterprises (OECD, 2017a). On the Asian side, Lukacs (2005) noted that Taiwan and Hong Kong are some of the best performing economies and most of their enterprises are small enterprises. In Japan 81% of employment is offered by SMEs and an average enterprise employ 9 employees (OECD, 2017a).

Small to medium enterprises around the world are still fighting the extended effects of 2007-2008 global economic disaster. The catastrophe affected SMEs and left a noticeable gap in productivity growth between SMEs and large firms (OECD, 2017a). As an advantage, SMEs generate employment chances in difference countries and sectors around the world. It can be noted that small businesses create opportunities for low-skilled employees and giving opportunities for skills development. SMEs also help to advance the quality of employment for low skilled labor (OECD, 2009).

1.1.2 Regional perspective
The importance of SMEs can be appreciated in developing countries because they have become the engine for economic growth and development. Gumbe, (2010) explained that SMEs in developing economies contribute a great deal in poverty reduction, job creation,
income distribution and wealth creation. SMEs in a number of developing nations serve as the instrument for kindling private ownership, entrepreneurial skills, increasing employment opportunities and supporting development of local technology (Akinso, 2018).

SMEs struggle to survive in developing economies due to limited funding, inadequate skills and many other reasons which large firms do not suffer. Chisasa, (2013) pointed that, in an unstable economic environment, SMEs are the most exposed and they are affected by economic crisis. Most of the small business collapse but some survive due to implementation of suitable strategies in turbulent times. A number of SMEs have adopted business survival strategies to help them through in difficult times, this includes knowing which products to produce and deliver, which customers to serve and their needs (Munanga, 2013).

According to Munanga (2013) in the SADC region, Zimbabwe experienced the highest level of inflation compared to other countries. For example, Botswana’s inflation was at 6.4% in 2007 and it was expected to plummet to 3.6 in 2008. In contrast, by the end of 2007 Zimbabwe’s rate of inflation was estimated at 5 000%. Consequently, Zimbabwe was disqualified to be a member of the Southern African’s rand Monetary Union. The Rand Common Market Area (CMA) consist of South Africa, Namibia, Lesotho and Swaziland. Zimbabwe failed to qualify for membership because its rate of inflation had surged to 4 500% - the highest in world economic history. The government’s intention for joining the CMA was that at least Zimbabwe could use a stable currency which the South African Rand (Makoshori, 2011).

In South Africa, 60% of employment is contributed by SMEs and the sector produce an output of about 40% (Lukacs, 2005). Small to medium enterprises are of paramount importance in developing nations for boosting innovation, competitiveness, entrepreneurship and creation of an effective innovation system, Warner, (2001) cited that economic growth and real poverty reduction work hand in hand meaning that SMEs development aid economic growth and likely to aid in poverty reduction too. They also increase employment, income and export revenues. Large SME sector in developing
economies helps in the equilibrium of distribution of capital income and labour (Berry, 2007)

Small to medium enterprises play a critical role in industrial restructuring and development, sustaining local demand for services, enhanced specialization and assisting large firms with inputs and services. This therefore means that SMEs are the mechanisms responsible for maintaining growth for long term development. Some of the hindrances to the growth of SMEs in Sub-Saharan Africa include red tape, corruption, complex entry regulation. These barriers cause SMEs to remain in the informal sector, and as a result there is limited access to finance. Also, growth is hindered by access to adequate finance and a stable supply of electricity (Fjose, 2010).

1.1.1 National perspective
Zimbabwe experienced economic chaos from 2000 to 2009. Hyperinflation drastically increased to unexpected levels of 231 million percent (RBZ, 2009). Hyperinflation caused serious financial catastrophe and the declining of proper bank and trade credit responsible for sustaining SMEs. Most of the financial institutions ceased operations and they were closed down because they failed to preserve the minimum capital requirements. According to Chisasa, (2013) hyperinflation and some of the contributory factors include repeated droughts, foreign currency shortages, removal of support from international donor, poor publicity of the country, reduced business confidence and HIV/AIDS. The economic crisis worsened the challenges which SMEs were already facing. Lack of business funding, poor infrastructure, limited access to land and strict laws are some of the barriers hindering the growth of SMEs in Zimbabwe. SMEs operating in hyperinflationary environment had inadequate funding because there was a harsh monetary policy which led to high interest rates (Chisasa, 2013).

The inflationary period in Zimbabwe, has the effect of raising interest rates which makes borrowing either long-term or short-term an expensive source of finance for SMEs. SMEs business operations are affected since they are the most beneficiaries of short-term credit as well as short-term bank financing. High inflation in Zimbabwe has resulted in low financial inclusion among SMEs. The barriers to financial inclusion within the SMEs sector have largely been as a result of high and uncompetitive interest rates and bank
charges offered by financial institutions. The level of financial inclusion among the MSME sector was substantially low as specified in the FinScope MSMEs Survey Zimbabwe of (2012) which disclosed the following key information, only 14% of MSME owners make use of formal financial products and services offered by banks, a larger percent of SME owners do not use or have a bank account to cater for business purposes and 50% of business owners (1.4 million) have or use informal ways to manage finances for their business thus contributing insignificantly to economic growth.

On 13 April 2009, the Zimbabwean dollar was abandoned as a way of curbing hyperinflation which caused instability of the Zimbabwean dollar (The Financial Gazette, 2009). According to Munanga, (2013) the adoption of dollarization brought its own challenges to SMEs which include currency conversion, high bank interest rates, lack of capital, liquidity and high operating expenses.

Zimbabwe suffered cash crisis from 2015 and the measures to counter this has failed (Zwinoira, 2017). Cash crisis also affected small to medium enterprises operations because there was no cash to cover day to day operations. Cash crisis dragged down business operations because cash is stuck in banks and becomes difficult for the small to medium enterprises to stay afloat (Mhlanga, 2016). Small to medium enterprises in Zimbabwe faced the problem of cash shortages and limited daily withdrawals at banks. Another problem is that it is difficult for a small firm to obtain point of sale machines so they end up resorting to credit sales (Mlilo, 2016).

According to Myles (2010) In normal economic conditions SME owners are still affected by challenges such as maintaining customers, meeting payroll and making long term plans and this is worse in hard economic conditions. In a turbulent economic environment, prices of raw materials increase sharply over a short period of time. A large number of companies ceases operations and close down.

According to Finscope, (2012) SMEs in Zimbabwe employ 5.7 million people and help in improving the national domestic product. In Zimbabwe, out of 3.4 million MSMEs 85% are not formally registered leaving only 15% registered, of the 15% individual
entrepreneurs constitute only 10% of those that are formerly registered and licensed (Finscope, 2012).

Existence of economic crisis in Zimbabwe ended normal business operations for SMEs. Economic challenges lead to difficulties in executing day to day business operations, profits, survival and turnover will be compromised. According to SEDCO, (2004) around 60% of SMEs in Zimbabwe fail in first year of their establishment, 25% fail within the first three years and the remaining 15% has the possibility to survive.

Small to medium enterprises in Zimbabwe are important because they contribute to the growth of the economy. Employment creation is one of the importance of SMEs in Zimbabwe. SMEs generate employment to a large number of skilled and unskilled labour in Zimbabwe (Chisasa, 2013). This therefore means that more SMEs less unemployment in the nation and this increases economic growth and development.

1.2 Problem statement
Around 2000 to 2009, Zimbabwe faced the worst economic crisis compared to other countries in the world. Hyperinflation rose to extraordinary levels of 231 000 000 per cent (RBZ, 2009). This led to a severe financial disaster that resulted in the fading of official bank and trade credit which was responsible for funding SME working capital requirements. Since then Zimbabwe has been faced with an unbearable economic crisis. Therefore, over the years of the economic turmoil many SMEs closed down, while others survived, even in the absence of the much-needed formal bank credit. In addition, some SMEs failed because the business owners lacked strategies to survive their first 5 years of business operations. It is against such a background that this research study sought to investigate on the survival business strategies that SMEs can employ to survive turbulent environment.

1.3 Objectives
1. To determine SMEs business survival strategies that were used during economic downturn in Zimbabwe.

2. To determine the effectiveness of business survival strategies that are used by SMEs in Zimbabwe.
3. To recommend SMEs business survival strategies that can be used in turbulent conditions.

1.4 Research Questions

1. Which business survival strategies were used during the economic downturn period?
2. How effective were the business survival strategies used during the economic turmoil?
3. Which business survival strategies can be used in a turbulent environment?

1.6 Significance of the study

1.6.1 To SMEs

This research works as an eye opener to SMEs to understand and implement strategies that will help them in times of tough economic environment. Results of this research will help SMEs to increase information on the strategies they can use during economic chaos.

1.6.2 To the university

This research will aid as a guide to other students in giving them an understanding of SMEs strategies in hyper inflationary environment. It will also be an addition to existing literature and help to improve the survival of SMEs.

1.6.3 To the student

The student links theory to practice and enhances the student’s research and communication skills. The research equipped the student with skills on how to carry
out research. The study will also give the researcher an understanding of the business survival strategies for SMEs in hyperinflation.

1.7 Assumptions

- This research assumes that the data collected will provide all the necessary information required in carrying out the research.
- Respondents will provide information free from bias
- Information collected will be correct and reliable hence useful to the success of the research.
- Financial resources will be enough to meet all the costs involved.

1.8 Scope and delimitations

The research covered SMEs in Zimbabwe. These SMEs were from different provinces around Zimbabwe. The researcher will be obtained information from the Ministry of Small to Medium Enterprises Cooperative Development to come up with the registered SMEs. The research will covered the period of ten years that is from 2008 to 2018. Focus was on the management and owners of SMEs because they are involved in strategies implementation and decision making.

1.9 Limitations

There was limited time to carry out research and data collection from respondents. Also some respondents were not willing to provide information because they considered it be confidential. To counter this problem, the researcher guaranteed that she will only use the information only for the purpose of her research.

1.10 Definition of terms

**Economic crisis:** A condition in which the economy experience unstable conditions for example hyperinflation.
Entrepreneur: according to Business Dictionary an entrepreneur is, “someone who exercises initiative by organizing a venture to take benefit of an opportunity and, as the decision maker, decides what, how and how much of a good or service will be produced.”

Growth: An increase in SMEs workforce, revenue, market share and number of branches.

Hyperinflation: Under Cagan’s definition, an episode of hyperinflation starts when there is a month in which the price level increases by at least 50%.

Small to Medium Enterprise: The Zimbabwean definition of small to medium enterprises according to the SME Association of Zimbabwe is any registered enterprise that has a turnover of less than $240 000 or assets less than $100 000. ZIMRA classifies SMEs as businesses that employ between 5-40 people with annual turnover and assets from as low as $50 000 to $2 million.

Strategy: Management’s game plan for strengthening organizations. Comprise of the ways in which managers decide how their organizations should operate (Gumbe, 2010)

Survival: continuity of a business.

Sustainable development: Expansion using resources taking into consideration future generations.

Turbulent environment: Stigter, (2002) defined turbulent environment as one that is subject to continuous and substantial changes which are uncertain and unpredictable.

1.11 Chapter Summary

This chapter explained a clear full background, problem statement, objectives, research questions, assumptions, scope, delimitations and definition of terms. This helps to understand the research an investigation SME survival strategy in a turbulent environment in Zimbabwe. of business survival strategies by SMEs during the
hyperinflationary period in Zimbabwe. The next chapter is literature review and it will focus on theoretical framework, which is the theories used by other scholars to explain the strategies of SMEs in hyperinflation. There is also empirical literature which is a review of studies by other researchers on the related research.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter investigate on the theoretical and empirical ideas. It gives theories and literature review of what other researchers studied about the SME survival strategies in a turbulent environment. This chapter thus covers the conceptual framework, theoretical literature and then empirical studies.

2.1 Conceptual framework of SMEs

The research adopts conceptual framework that explains the SMEs survival strategies in a turbulent environment. Survival strategies are the independent variables and the dependent variable is SMEs performance or survival during the turbulent environment.

2.1.1 Defining SMEs

There is no existence of universal or consensus definition of small to medium enterprises, definition differs from country to country, industry to industry and from one author to another. Peterson, (2010) cited that SMEs are defined according to number of employees,
capital base, assets base and net income per financial year. What might therefore be regarded as a small-scale business in a developed economy can be regarded as a large-scale business in a developed country.

According to European, (2003) the SMEs category consist of enterprises that employ less than 250 people and have an annual income not more than 50 million euros and an annual balance sheet not beyond 43 million euros. The British government define SMEs as companies with employees not exceeding 250, with a capital of 5 million pounds and below, an asset base of less than 20 million pounds and earnings of 50 million pounds and below.

ZIMRA, (2015) divided small enterprises from medium enterprises of which small enterprises employ 6 to 40 people with an annual turnover of USD 50 000 to USD 500 000 and an asset value between USD 50 000 to USD 1 million, medium enterprises are regarded as those which employ 41 to 75 employees with an annual turnover between USD 1 million to USD 2 million and it is important to note that any business operating beyond these limits is a large company.

Zimbabwe Association of SMEs (ZAS) define small businesses as those that are lawfully registered with a turnover of less than USD 240 000 or assets less than USD 100 000 and a medium enterprise is one that is registered with turnover and assets that are above limits for small enterprises but less than USD 1 million.

2.1.2 Importance of SMEs in Zimbabwe

Small to medium enterprises are essential because they aid in provision of best chances for the indigenous “manpower ownership and participation”. They are also able to facilitate the development of local technology and innovation as they are responsible for bringing new problem-solving ideas (Ishaya, 2016).

SMEs are important to the Zimbabwean economy because they introduce fresh ideas, methods and approaches. These approaches then ensure that there is adequate satisfaction to employees and are motivated. Motivated employees keep the business competitive meaning that the business will keep on surviving thus going concern (Kurtz, 2012).
Small to medium enterprises assist in the integration of immediate needs of the local communities thus eliminating the income inequality which exist amongst the rural and urban communities (Oshagbemi, 1985). SMEs are more sensitive to customer needs and more responsive.

2.1.4 SMEs and business survival strategies

According to Strickland and Gamble (2010) a strategy is defined as a management’s game plan for solidification of a firm’s position. It follows that, a strategy is the technique that managers use for determination of an organization’s performance and operations in the market.

Managers choose strategies depends on the industrial life cycle which has four stages namely; emerging, growth, maturity and decline. The economic turmoil period fits into the decline stage where demand is low and limited profits because customers have limited income, cash crisis and prices are continuously increasing (Gumbe, 2010).

2.1.4.1 Retrenchment strategies

Kitcing, (2009) identified three strategies that can be used, retrenchment strategies, investment strategies and ambidextrous strategies. Retrenchment strategies encompass cutting of operational costs and divestment of non-essential business assets. It involves closure of businesses, lessening employment and reduction of expenses. These methods are common in businesses operating in economic downturn, particularly in the short term. As a retrenchment strategy, Swanson, (2004) suggested that managers be able to exercise flexibility and be in a position to shorten pay periods of the employees.

Another form of retrenchment identified by Swanson (2004) is that fringe benefits must adjusted to reflect inflation considering the index type used for cost of living. It therefore means that employees will no longer receive the same benefits as they used to receive in normal economic environment and this that costs will be reduced to match the inflationary environments.
2.1.4.2 Investment strategies
Investment strategies as defined by Kitching, (2009) are risky strategies involving innovation and diversification. It involves expanding into new markets in order to survive competition and investing in innovation. Chrisman, (1998) cited that an organization that encounter economic down turn can diversify through developing new products and venture into new markets different from its already existing venue. Diversification serves as a shield against the difficult conditions.

2.1.4.3 Other strategies
Decentralization is another strategy identified by Prendergast, (2000). Decentralized management system is the one that involves all employees in decision making and it is not rigid. It is best practiced in turbulent economic environment because it sustains global stability. It is essential to include employees in planning and also make short term planning using information at a quicker pace because in a turbulent environment, there are quick changes meaning that there are high levels of uncertainty.

Another strategy that can be used in economic downturn as identified by Swanson, (2004) is reducing credit sales. Money loses value speedily in a hyperinflation so it is essential to reduce credit sales so as to cushion the firm against loosing out. By reducing credit sales, the firm may select those customers who pay promptly and put on hold those who do not pay.

Motivation of employees is another strategy that can be used by SMEs during the economic down turn. Employees leave companies and some even leave the country in search of greener pastures so it is important for a firm to keep employees motivated so that they will stay and keep operations running for survival. According to Myles, (2010) for survival of SMEs in economic chaos, it is important to enhance employee motivation. Motivation can be through incentives and this helps employees to be more committed.

Converting local currency into foreign currency is also another strategy that can be used by SMEs during the economic meltdown such as hyperinflation. Local currency will be deteriorating at a faster rate and loses value day by day, so for a firm to hedge themselves against losing out. Swanson (2004) identified this strategy to be helpful during
hyperinflation because the foreign currency will be a stable currency which does not lose value. This helps small to medium enterprises with stability.

2.1.5 Problems faced by SMEs in turbulent environments

2.1.5.1 Lack of finance
Finance is an important element for SMEs to survive in the industry, they need it is necessary for building productive capacity and to compete. Beck, (2007) cited that the main hinderance to survival of SMEs is lack of finance is it is rated to about 30% world-wide. SMEs are constrained in terms of cost of finance compared to large enterprises. Small to medium enterprises development in Africa are constrained by inadequate access to finance. According to Reserve Bank of Zimbabwe, (2006) SMEs are regarded as high risk and they lack collateral so most financial institutions are not willing to extend credit to them.

2.1.5.2 Poor management
Entrepreneurs in Zimbabwe are not acquainted with the necessary skills to operate a business. Most of them do no take seriously the need for training or acquiring management skills to lead a business. The 1990 Mcpherson’s research (1990) revealed that the main cause for failure of SMEs is poor management. RBZ, (2006) cited that small to medium enterprises do not have the capacity to carry out research and development necessary to commercialize ideas and expand firms also their business structures are weak. The Jovanovich’s model in Hall, (1995) propose that availability of education and management experience will reduce the risk of failure.

2.1.5.3 Stiff competition
Barriers to entry of SMEs are very low which in turn create intense competition in the sector and giving the SMEs customers a strong bargaining power. Therefore, some customers take advantage and bargain for low uncompetitive prices and long credit terms, and sometimes they do not abide by the agreed long credit terms which put a further strain on the firm’s cashflow. Small to medium enterprises usually do not enjoy economies of scale because they are small in size (Mudzviti, 2014).
2.1.5.4 Access to inputs
SMEs in Zimbabwe particularly the clothing industry are facing the challenging of sourcing raw materials due to lack unavailability of local fabric suppliers and this includes high wage bills, second hand and cheap imported clothing and illegal imports. Most suppliers are not willing to extend credit facilities to SMEs and those who are willing need them to order a large purchase but mostly this is not in the capacity of SMEs (The Independent, 2006).

2.2 Theoretical Framework
2.2.1 Survival based theory
Survival based theory is also known as “survival of the fittest” theory. The theory was created by Herbert Spencer in the year 1864. Survival based theory stressed that, for an organization to ensure survival, the company needs to organize its strategies focusing on efficient operations and a hasty response to the changing competitive environment (Khairuddin, 2005). Business environment changes without notice so an organization has to be aware of the political, social and economic environment in order to survive. Some argue that it in the best interest of an organization to put in place a number of strategies at once then the natural selection will pick the most suitable strategy for the environment (Lynch, 2000). This theory helps small to medium enterprises in giving direction on how to adjust to the environment and apply suitable strategies for each type of environment. It helps them to choose the best applicable strategies in an economic down turn.

2.2.2 Dynamic capability theory
Can be defined as the firm’s capacity to fit in, shape and reconfigure internal and external core competences as to match rapidly changing environments (Teceee, 1997). Successful global companies have shown their ability to hastily respond to product innovation and the ability to coordinate and redeploy internal and external competencies. Small to medium enterprises should put in place core competencies that are difficult to replicate so that it becomes difficult or impossible for competitors to imitate. Teece et al (1997) cited that competitive advantage of companies in dynamic markets depends on the distinctive organizational processes, shaped by the company’s specific asset position shaped by its evolution path.
2.2.3 Contingency Theory

The contingency theory is a theory that put an effort to recognize the interrelationships among organizational subsystems and the organizational system as an entity and its environments (Raduan, 2009). It emphasizes in the idea that there is no best or one way to manage or deal with an organization. The contingency theory helps small to medium enterprises to adapt to the changing business environment and fit the existing environment. Abdulla (2010) Since the contingency theory states that there is no way to deal with an organization, it means that it allows for flexibility meaning that they can be able to adjust and adopt strategies that fit the prevailing economic environment.

2.3 Empirical Literature

A significant number of studies have been conducted with the main objective of exploring various survival strategies used by small to medium enterprises.

2.3.1 Nyanga T et al (2013), survival of the vulnerable: strategies employed by SMEs in Zimbabwe to survive an economic crisis.

Nyanga et al (2013) conducted a research to determine the strategies employed by SMEs in Zimbabwe to survive an economic crisis. Their objectives were to reveal economic strategies employed by SMEs from 2000 to 2009 economic crisis in Zimbabwe, to explore organizational strategies adopted by SMEs to survive economic crisis and to unveil the psychological strategies adopted by entrepreneurs in SMEs to ensure the survival of their organizations (Nyanga et al, 2013). Qualitative methodology was used. A total of four respondents contributed to the study and convenience sampling was used to select them. All the four respondents were from Masvingo and data was collected using face to face structure interviews. Data collected was analyzed using thematic data analysis approach.

Their findings discovered that SME owners ensured that employees were motivated during economic crisis so that employees could not leave to other countries for better living conditions. Their study also revealed that diversification of services helped SMEs to remain in business. All four cases disclosed that maintaining loyal customers helped them to survive the economic crisis. The findings also revealed that psychological
strengths in entrepreneurs were critical in ensuring continued survival. Optimism and maintaining volition were found to be important psychological driving forces.

2.3.2 Joseph Chisasa (2013), survival strategies for SMEs in hyperinflationary environments: lessons from SMEs in Harare central business district.

Chisasa (2013) conducted a research to determine the survival strategies used by SMEs in Harare central business district during the hyperinflationary period in Zimbabwe. The objective of the research was to determine how SMEs survived during the hyperinflationary period. He used survey to collect data from 120 SMEs in Harare. Structured questionnaires encompassing 17 questions were administered. The quantitative data collected was analyzed using SPSS. Descriptive statistical measures were used to explain the results of the survey statistics. His results show that SMEs facing credit constraints use illegal strategies such as hoarding of stock and converting cash sales to stable currencies in the black market. He concluded that most businesses failed due to severe economic instability and poor corporate governance. The results of his study noted that there is a reduction in the external financing options when an economy is exposed to hyperinflationary conditions. Lack of credit was highlighted as one of the major problems encountered by SMEs in the hyperinflationary environment. Survival strategies pointed out in the research include converting weak domestic currency into a stable foreign currency and constantly repricing inventories (Chisasa, 2013).

2.3.3 Mapetere Denver et al (2016), survival strategies: case study of retail hardware SMEs in Shurugwi- Zimbabwe

Mapetere (2016) conducted a research on the survival strategies of retail hardware SMEs in Shurugwi. The objectives of their research were to determine the trials faced by SMEs, to establish the survival strategies used by SMEs and to establish other survival strategies that can be used by SMEs in the retail hardware sector. They used descriptive research design and a census sampling technique was used because it was precise. 54 respondents were obtained from 6 construction hardware retail businesses in Shurugwi. As a source of data, they used both primary and secondary data. For data collection, they used both structured questionnaires and structured interviews from employees and management of small businesses. Simple linear regression using the strata 11 statistical package ANOVA
variables of T stat analysis and p-values were used for data analysis. The research examined challenges faced by SMEs; stringent procedures to acquire a loan, financial management, reduced availability of finance and limited information about financing options and reduced availability of finance. The findings of the study stated that there is a relationship on business experience and performance, business experience and turnover, business age and turnover, respondents age and performance, education and performance, gender and performance and performance and business review and performance.

2.3.4 Usman (2012), An evaluation of survival strategies of small and medium scale enterprises during economic meltdown.
The survival strategies of small and medium enterprises during economic meltdown research was conducted by (Usman, 2012). Usman used random sampling method obtained from the population of the case study. 240 questionnaires were distributed to business owners operating different types of businesses ranging restaurant, bookshops, computer operations in Niger state. Tables and statistical tool of chi-square were used to analyze data, showing the significant relationship between contextual variables and business survival in economic meltdown. The results showed that adopting new business idea and diversification of business is a good strategy to help SME owners survive in economic meltdown. The conclusion of the study is that economic meltdown can be of great opportunity for motivated SME owners. Usman recommended that for business owners to survive economic meltdown, they must maintain good relationship with their bankers so as to benefit from quick financial support when the business suffers financial constraints in economic meltdown.

2.3.5 Ishaya Jonathan (2016), survival strategies and performance of SMEs in Nigeria.
Ishaya (2016) carried out a research aimed at appraising the survival strategies of SMEs and their performance with a view to provide ways of improving the performance of small businesses in Nigeria. The objectives of the research were to assess the contribution and challenges of small and medium scale enterprises in Nigeria, to provide an insight into the strategies that could be adopted by ailing enterprises in Nigeria for survival and growth and to determine the strategies needed by SMEs in Nigeria to survive. Ishaya used
secondary sources of information such as books, journals, articles, magazines, government publications and data from the previous research work of others related to survival strategies and performance of SMEs were used. He concluded that for a business to survive in a turbulent environment, it must carefully plan with detailed appraisal for the environment it operates and adopt appropriate survival strategy to take competitive advantage to ensure sustainability in operation and long-term survival of the business.

2.3.6 Gumbe and Kaseke: Manufacturing firms and hyperinflation- survival options the case of Zimbabwe manufacturers (2005-2009)

Gumbe and Kaseke (2010) conducted the study assessing the survival strategies implemented by manufacturing firms during hyperinflationary period 2005 to 2008 in Zimbabwe. The objective of the research is to find out what management of the companies that survived the hyperinflation did that prevented them from total collapse. Survey method was applied to manufacturing firms in Harare. The researcher used questionnaires for data collection from 100 manufacturing companies. The findings revealed that firms applied different strategies such as quality reduction, decision making decentralization, reducing quantity of products, syndicates development, shorter pay periods and other forms of financial, marketing and purchasing strategies. The employment of these mentioned strategies caused 50% of the companies to experience a breakeven or improved profitability. Overall capacity utilisation declined during this period because most companies scaled down operations.

2.3.7 Kutz et al (2012), turbulent environments and SMEs: how to survive in an unpredictable world?

Kurtz et al (2012) conducted research on survival strategies of SMEs in an unpredictable world. The aim of their research was to analyze different types of turbulent environment that small to medium enterprises could face and the implications for the management. For methodology three cases to be analyzed to be analyzed according to their level of turbulence were selected. The came to the conclusion that it is important to understand the environment in periods where changes occur quickly and unpredictably. Their findings revealed that the experience of managers play an essential role in adaptation of SMEs and the ability of perception customers’ needs and market opportunities. They also
emphasized on the importance of the alignment of managers regarding the guidance for external markets and its positive relationship with the ability to perceive opportunities in the environment.

2.4 Gap Analysis
The research topic is SME survival strategies in a turbulent environment. Previous researchers have conducted this type of investigation focusing on hyperinflation. This research focused on the turbulent environment which encompass different economic environments.

2.5 Chapter Summary
This chapter outlined the theoretical conceptual framework of SMEs. It also provided the theoretical framework of the SMEs survival strategies during the hyperinflationary period. Empirical evidence was also provided where there was an analysis of what other researchers have found out about the research. The following chapter will give details research methodology and instruments to be used for data collection.
CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction
This chapter explains the research methodology used by the researcher to collect data. The focus is on research design, target population, sampling, research instruments and data collection procedure.

3.1 Research Design
A research design is the arrangement of conditions for collection and data analysis in a way that intend to combine significance to the research purpose with economy in procedure. Saunders (2016), explained that research design is the overall strategy used to join the different components of the research. It is a plan to which research subjects are selected in order to collect information. The researcher sort to investigate SME survival strategies in a turbulent environment: case study of Zimbabwe from 2008 to 2018. The researcher used qualitative research design to collect data.

3.2 Target population
A population comprises of a comparable group of people forming the subject of the study in a certain survey. Wagner, (2005) described that, population parameters encompass all the probable observations of the random variables under research. It consists of the people or events which the researcher wants to generalize the outcomes the study. The
researcher focused on the SMEs in Harare and a total of 55 respondents were used. The respondents of particular target were managers and owners of SMEs.

3.4 Sample size
According to Best (1993), a sample can be defined as a subset of the total population under study it includes the process of choosing few samples from the target population to be the basis for estimation and prediction of the outcome of the target population. According to Mugenda and Mugenda (2005) a third population is an ideal sample for proportionate stratified sampling.

Table 3.1 Sample size

<table>
<thead>
<tr>
<th>Position</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>45</td>
</tr>
<tr>
<td>Owners</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
</tr>
</tbody>
</table>

*Source: Primary data*

The researcher administered 45 questionnaires to 45 managers of small to medium enterprises in Harare. Total of 10 managers were interviewed by the researcher.

3.5 Sampling methods
Wagner, (2005) defined sampling as a method of choosing a representative subdivision of observations from a population to determine the characteristics of the random variables. In this study, the researcher has chosen stratified sampling and random sampling.

3.5.1 Stratified sampling
Punch (2006) defined stratified sampling as one that involves independently picking a distinct simple random sample from each population stratum. Stratified sampling was applied where respondents in the identified population were subdivided into strata (owners and managers) as according to their work position.
3.5.2 Stratified random sampling

Simple random sampling was used to select the respondents from each stratum. The use of simple random sampling means that every member under study have an equal chance of being selected (Leedy, 2007). Stratified random sampling involves segregation of the population into mutually exclusive population or strata (Mugenda, 2011).

3.6 Sources of data

3.6.1 Primary data

Primary data is information gathered for the first time and therefore original in nature (Godwin, 2012). Primary data is the original data collected from the field of the research to fulfill the purpose of the research objective and research question. Primary data gives current information because the information will be collected directly from the source. Questionnaires and interviews were used to collect primary data.

3.6.2 Secondary data

Kotler (2009) defined secondary data as information that is already available and was gathered for another purpose. Secondary data in this research was collected from the Ministry of Small to Medium Enterprises Cooperative and Development. Secondary data is cheap and readily available so it is easily obtainable.

3.7 Data collection instrument

A data collection instrument is any measuring tool used for the purpose of collecting data. Burns, 2013) explained that, data collection instruments are devices used to collect data. Questionnaires were distributed and face to face interviews were conducted for data collection in this research. These instruments were suitable because they are free from bias.

3.7.1 Questionnaire

According to Gay, (1987) a questionnaire is a term that incorporate all data collection methods in which each person is asked to respond to the same set of questions in a prearranged order.

3.7.1.1 Advantages of Questionnaires

i. More information will be obtained from a huge population in a short time
ii. The information will be easily quantified

iii. Questionnaires will reduce bias as they will be answered in the absence of the researcher

### 3.7.1.2 Disadvantages of Questionnaires

- i. Questionnaires may be unclear which results in wrong feedback being given
- ii. Some questions may not be answered therefore a reduced sample size which then causes sample bias
- iii. It does not tell how truthful respondents will be.

### 3.7.1.3 Justification for using questionnaires

Questionnaires are easy to distribute because there is no close supervision needed. A questionnaire encompasses guidelines that respondents can complete on their own therefore allows confidentiality. Also, there is no limit as per coverage meaning that they can reach anywhere and it does not require the researcher to be available.

### 3.7.2.1 Interviews

O’leary (2015) defines interviewing as a data collection technique involving investigators asking respondents basically open-ended questions. There are two types of interviews namely; structured and formalized, using standardized questions for each respondent or unstructured and informal (Saunders et al. 2009). The researcher elaborate or repeated questions where respondent failed to understand. The researcher used interviews as another method of data collection. Interviews are important in collecting in depth information.

### 3.7.2.2 Advantages of interviews

- The interviewer can be able to explain further if the respondent does not understand the question
- The interviewer can check the respondent eligibility before starting the interview
- The response rate is usually higher than questionnaire

### 3.7.2.3 Disadvantages of interviews

- It is costly
• Time consuming to conduct and analyse

3.7.2.4 Justification of using interviews
Interviews were necessary in conducting this research because some of the questions needed further clarity which questionnaires cannot provide. Interviews also allowed the interviewer to get the responses she needed to complete the research.

3.8 Reliability and validity

3.8.1 Validity
Validity refers to the extent to which research instrument measures any subject under study. Reliability is the rate of consistency (Manion, 2014). The questions designed by the researcher were complete and clear. General questions were at the beginning to make the respondents feel comfortable. The respondents were given the opportunity to express themselves where they needed clarity or further explanation.

3.8.2 Reliability
Mugenda and Mugenda (2011) explained that the reliability of an instrument is the measure of the degree to which a research instrument yields constant results after repeated trials. Reliability is the ability of an instrument to produce consistent results. The researcher ensured consistency through obtaining results from different respondents.

3.9 Pilot study
Pilot study is a small initial study conducted so as to evaluate viability, time, costs, adverse events and effects in an attempt to predict an appropriate sample size and implications of the study prior to performance of full-scale research project due to improve chances of clear outcome (Johnson 2012). The researcher carried out a pilot study primarily for the purposes of assurance of the reliability and validity of the research instrument and questions.

3.10 Data Analysis and Presentation
The researcher physically distributed questionnaires to the selected respondents. The questionnaires were distributed through hand delivery. The questionnaires were also collected physically by the researcher. Appointments for interviews were set through the telephone and sending emails too.
3.10.1 Data Analysis
Kotler (2009) defined data analysis as the process of extracting and compiling of raw data so as to obtain constructive information that can be used to formulate conclusions in the study. Data collected was cleaned, sorted and coded using the Statistical Package for Social Sciences (SPSS version 21.0) program and Microsoft Excel for generation of reports.

3.10.2 Data Presentation
According to Manion (2014) data presentation is a process by which individuals summarize, organize, and communicate information through various tools such as diagrams, distribution charts, histograms, and graphs. The researcher used pie charts, graphs, tables to present data obtained from the research.

3.11 Chapter summary
This chapter revealed the process of research and each method responsible for collecting all the necessary information. It outlined detailed processes and techniques that the researcher is going to use from research design, target population, sample size, sampling methods, sources of data, data collection instruments, reliability and validity and the data collection procedure.
CHAPTER IV

DATA PRESENTATION ANALYSIS AND DISCUSSION

4.0 Introduction

The results of the study are presented, analyzed and discussed in this chapter. Also, the response rate to the research instruments is also identified. Research questions will be answered in this chapter using data from the research findings. The data is presented in form of tables, pie charts and bar graphs succeeded by an interpretation of the results and their discussion.

4.1 Response rate

4.1.1 Response rate for questionnaire

Table 4.1: Questionnaire response rate

<table>
<thead>
<tr>
<th>Item (Questionnaire)</th>
<th>Frequency (Possible)</th>
<th>Frequency (Actual)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>45</td>
<td>40</td>
<td>88.89</td>
</tr>
<tr>
<td>Non-response</td>
<td>0</td>
<td>5</td>
<td>11.11</td>
</tr>
<tr>
<td>Total</td>
<td>45</td>
<td>45</td>
<td>100</td>
</tr>
</tbody>
</table>
Out of 45 questionnaires administered to SME managers, 40 were returned filled with all details and the remaining 5 were not returned from the respondents. Table 4.1 illustrates a total successful rate of 88.89% and non-response rate of 11.11%. According to Remanyi (2002) a response rate above 70% is excellent so 88.89% is satisfactory for the research.

4.1.2 Interview response rate

The researcher scheduled interviews to a total of 10 SME owners and the actual interviewed was conducted to 7 owners. According to Bryman (2011) the findings of the response rate that is above 60% is considered to be a satisfactory measure to access the success of the research. Table 4.1 shows a total response rate of 70% meaning that the non-response rate is 30%.

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency (Possible)</th>
<th>Frequency (Actual)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>10</td>
<td>7</td>
<td>70</td>
</tr>
<tr>
<td>Non-response</td>
<td>0</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>10</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 Research findings

Research findings acquired from the data collected are presented, interpreted and analyzed in this section. SME survival strategies in a turbulent environment is the topic under study and data collected through questionnaires from managers and interviews from owners in Harare was used.
A total of 40 questionnaires were administered and the age composition of the respondents is presented in figure 4.1. There were no managers below the age of 20 years. Majority of the respondents were between the age of 21 to 30 years occupying 50% of the respondents. 38% of the respondents were between the age of 31 to 40 years and the remaining 12% represented the age of 40 and above. The research findings indicate that younger managers between 21 to 30 years are employed by SMEs because they are more vibrant and bring in more business ideas. Mupetere et al. (2016) in their research on survival strategies of retail hardware SMEs in Shurugwi concluded that younger applicants were considered to have better sales potential and more able to stick to the organization’s standard selling procedure.
4.2.2 Distribution of respondents by level of education

![Distribution of respondents by level of education](image)

**Figure 4.2: Distribution of respondents by level of education**

*Source: Primary data*

Data collected from the respondents illustrate that a larger percent of the respondents had diplomas. Figure 4.2 indicate 43% in diploma education dominated. 38% of the respondents had degrees only 12% and 7% had A level and certificate education respectively. The results of the research indicate that more educated managers are employed by SMEs because they bring in problem solving ideas which help the businesses to grow. Mupetere *et al* (2016) indicated that the level of education of business owners and managers have an encouraging effect to the performance and growth of the business.
4.3 Determination of the survival strategies that have been used by SMEs

4.3.1 Diversification

![Diversification distribution](image)

**Figure 4.3: Diversification distribution**

*Source: Primary data*

Diversification is one of the strategies used by small to medium enterprises during economic crisis. Figure 4.4 indicate that of the total respondents, 65% frequently used diversification as a survival strategy. 20% of the respondents considerably used diversification, 13% and 2% least used and never used respectively. These findings are in agreement with the research conducted by Nyanga *et al.* (2013) aimed at determining the strategies employed by SMEs in Zimbabwe to survive economic crisis, their results concluded that a large number of SMEs used diversification as a survival strategy. Diversification of services helped SMEs to remain in business because if one line of business fails the other will make profits. The results are also in consistent with the research conducted by Usman (2012) on survival strategies of SMEs during economic meltdown. The results of Usman’s results illustrated that new idea and diversification of
business is a good strategy to help SME owners in economic meltdown. Most SMEs used diversification because it helped to in survival of the business as a whole because all line of businesses cannot fail at once.

4.3.2 Converting weak currency to stable foreign currency

![Figure 4.4: Converting weak currency to stable foreign currency distribution](image)

Source: Primary data

Converting weak currency to foreign currency is another strategy used by SME managers in turbulent environment. As indicated by figure 4.5, the strategy was frequently used with 55%, considerably used 15%, least used 25%, and never used 5%. More than 50% of the respondents frequently used this strategy to survive the turbulent environment. The findings are consistent with the research carried out by Chisasa (2013) to determine the survival strategies used by SMEs in Harare CBD during hyperinflationary period in Zimbabwe. His research pointed that small to medium enterprises used the survival strategy of converting weak currency into a stable foreign currency. Converting weak local currency to stable foreign currency is used by SMEs because the strong foreign
currency will not lose value compared to the unstable local currency. To add on, Nyanga et al. (2013) in their research aimed at determining the strategies employed by SMEs in Zimbabwe to survive economic crisis identified this strategy to be effective during economic crisis.

4.3.3 Constantly repricing goods and services

![Figure 4.5: Constantly repricing goods and services distribution](image)

Source: Primary data

SMEs also used the strategy of constantly repricing goods and services. Data collected from the respondents indicate that majority of the respondents used this strategy with a 53% rate. Figure 4.6 illustrate 23%, 18% 8% for considerably used, least used and never used respectively. The findings from data collected revealed that the 53% rate and 23% of considerably used illustrates that most SME managers used this strategy for survival. The findings are in agreement with Chisasa (2013) when he highlighted that small to medium enterprises can apply a survival strategy of constantly repricing inventories in his research to determine the survival strategies used by SMEs in Harare CBD during hyperinflationary period in Zimbabwe.
4.3.4 Quality reduction

Figure 4.6: Quality reduction distribution

Source: Primary data

Figure 4.7 reveals that some respondents used the survival strategy of quality reduction. The data collected illustrated that 60% of the respondents never used this strategy. 5%, 15%, 20% were least used, considerably used and frequently used respectively. A large percentage of the respondents did not use this strategy leaving it with a less than 50%. The findings of this research confirms the results of the research done by Gumbe and Kaseke (2010) assessing survival strategies implemented by manufacturing firms during hyperinflation in Zimbabwe. A large number of respondents did not use this strategy for fear of compromising their products and also customers would run to companies with
better quality products. Those that reduced quality were trying to match the cheaper imports from China.

4.3.5 Reducing credit sales

Figure 4.7: Reducing credit sales distribution

Source: Primary data

Reducing credit sales was found to be one of the strategies used by SME managers for survival. Figure 4.8 illustrates that a large number of SME managers frequently used reduction of credit sales as a strategy in turbulent environment. Frequency rate of over 50% reveal that a large number of SME managers employed this strategy for survival. Only 5% and 3% never used and least used this strategy. As shown above, 25% of the respondents considerably used this strategy. Existence of the larger percent of use confirms that this strategy was used frequently by SME managers. The strategy was used
by SMEs because they were able to recover funds from the few trusted customers unlike when there was a large number of credit customers. The findings of this researched are in agreement with the research by Gumbe and Kaseke (2010) on assessing the survival strategies implemented by manufacturing firms during hyperinflation period in Zimbabwe. Gumbe and Kaseke confirmed that over 60% SMEs used this strategy to survive hyperinflation and only a few SMEs did not use this strategy. In his book, Swanson (2007) highlighted that reducing credit sales is ideal for companies in hyperinflation.

4.3.5 Maintaining loyal customers

![Bar chart](image)

**Figure 4. 8: Maintaining loyal customers distribution**

*Source: Primary data*

The last strategy used by SME managers is maintaining loyal customers. Figure 4.9 indicate that 33% of the respondents frequently used this strategy. As illustrated, 20%, 22.5%, 25% presents considerably used, least used and never used respectively. Respondents who frequently used and considerably used make a sum of 53% meaning that more respondents used this strategy. Those that did not use this strategy had difficulties in maintaining loyal customers due to shortages and cash crisis. The research findings confirm the results of Nyanga *et al* (2013) in their research to determine the
strategies employed by SMEs in Zimbabwe to survive an economic crisis. They identified SMEs who used this strategy and it was successful to counter economic crisis.

4.4 Effectiveness of the strategies

![Figure 4.9: Distribution of respondents’ effectiveness of survival strategies](image)

**Source:** Primary data

The effectiveness of the survival strategies was measured using profitability, market share, capacity utilization and cost reduction. Figure 4.3 indicate that 47.5% of the respondents had a breakeven. Profitability for 25% of the SMEs declined even after employing the survival strategies but 27.5% improved. The findings from data collected revealed that over 50% of the SMEs experienced breakeven and improved profitability meaning that the strategies were effective.

Market share for most SMEs declined. Figure 4.3 indicate a 45% of the respondents experienced a decline in market share, 22.50% improvement and 32.50% breakeven. The findings indicate that 75% of the respondents had a decline in capacity utilization. A significant number of SMEs scaled down operations in turbulent times. Only 7.5% of the respondents indicate that there was an improvement in capacity utilization and the remaining 17.5% indicate breakeven. The data collected also show an improvement in cost reduction due to employment of survival strategies.
The findings of this research concur with the results of the research conducted by Gumbe and Kaseke (2010) assessing the survival strategies implemented by manufacturing firms during hyperinflationary period in Zimbabwe. Their findings indicate that survival strategies were effective because over 50% of the respondents show an improvement and breakeven of profitability. They also indicate a decline in market share due to cheap imports from China.

4.5 Management skills used by SMEs

Figure 4.10: Management skills used by SMEs

Data collected indicated that SME management used the following management skills; planning, motivation, time management, interpersonal skills and time management. Figure 4.6 show that all the respondents used planning as a management skill, this is so because planning is an important tool for the success of all businesses. SMEs are recommended to plan so that all their operations follow a designated plan. The findings are in agreement with the research on survival strategies and performance of SMEs in Nigeria by Ishaya (2016) and concluded that for a business to survive in a turbulent environment, it must plan carefully with detailed assessment for the environment it
operates and take the suitable survival strategy to take competitive advantage to ensure sustainability in operation and long-term survival of the business.

Motivation was used by 57% of the respondents as indicated on figure 4.7. There is need for an improvement of SMEs to use motivation as a management skill so that they can survive. Nyanga et al (2013) revealed that motivation is an important management skill that should be used by SMEs to help to survive.

Only 29% of the SMEs used time management and this is below 50% more encouragement is needed. Time management is critical to the survival of small to medium enterprises because there are no delays everything is done at the right moment to satisfy customers. In his book, Swanson (2007) recommended that firms must ensure that they manage their time.

It can be noted that 71% of the respondents managed to use interpersonal skills, this skill is of paramount important for managers as they need to interact with other business delegates and investors. Usman (2012) recommended that for business owners to survive economic meltdown, they must maintain good relationship with their bankers so as to benefit from quick financial support when the business suffers financial constraints in economic meltdown. Usman also recommended interpersonal skills to be used by SMEs.

**4.6 Chapter Summary**

In this chapter, data on SME survival strategies in a turbulent environment was presented, analyzed and discussed. The findings were based on data obtained from the field through interviews and questionnaires. The following chapter presents conclusions and recommendations of the study.
CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
The purpose of this chapter is to provide summary of the research findings, explaining the conclusions drawn from the study and give recommendations. The research topic SME survival strategies during turbulent environment focusing on SMEs in Harare. The recommendations to the SMEs, the policy makers and suggestions for future research will be given.

5.1 Summary of findings
The study focused on SMEs in Harare. The main objective of the study was to investigate into the SME survival strategies in a turbulent environment in Zimbabwe from 2008 to 2018. There were three sub-objectives to this study; to determine business survival strategies that were used during economic downturn, to determine the effectiveness of business survival strategies that were used by SMEs and to recommend business survival strategies that can be used in turbulent times.

The findings indicate that all small to medium enterprises in the study used survival strategies to survive the turbulent environment. The survival strategies employed include diversification, converting weak currency to stable foreign currency, constantly repricing goods and services, quality reduction, reducing credit sales and maintaining loyal customers. The degrees as to how these findings were used were different. The most frequently used strategies were diversification, converting weak currency to stable foreign currency, constantly repricing and reducing credit sales. Quality reduction was the least used strategy because SMEs feared that customers will leave for better quality products causing the firm to lose market share.
The effectiveness of these strategies was measured by profitability, market share, and capacity utilization. A small percentage of the respondents had their profitability improved and a larger percent represented breakeven in terms of profitability. Overall capacity utilization declined with a rate over 50%. The market share for most SMEs declined because they were competing with cheap products.

Small to medium enterprises are recommended to put in place survival strategies that will sustain them in turbulent environment. SMEs are recommended to use diversification because there are low chances of failure. Also, SMEs are recommended to use management skills like planning, interpersonal skills, time management and motivation to protect them in turbulent environment.

5.2 Conclusion
Based on the research findings, the researcher concluded that it is important for SMEs to have survival strategies that will help them through turbulent environment. Evidence from the research findings indicate that SMEs used diversification, reducing credit sales, quality reduction, maintaining loyal customers, constantly repricing goods and services and converting weak currency to stable foreign currency to survive the turbulent environment.

It can be concluded that the use of survival strategies was effective for most of the SMEs. The use of these survival strategies was effective as it led to most of the SMEs breakeven on profitability.

Majority of the Small to medium enterprises used survival strategies to survive in turbulent environment. SMEs should also employ management skills to help them through the economic crisis.

5.3 Recommendations
In light of the findings and conclusions reached, the researcher made some recommendations to SMEs, policy makers and the future studies in line with this topic.
5.3.1 Recommendations to SMEs
Small to medium enterprises need to employ management with adequate skills so that they can be able to implement the right strategies in the right environment. Survival of SMEs depends on the decisions implemented by the decision makers. Also, SMEs must always have contingency plans to help them survive in any environment so that they can keep operating in any environment.

5.3.2 Recommendations to policy makers
Policy makers should make an effort to encourage all SMEs to register so that SMEs can contribute to the growth of the economy. It can be noted a large number of SMEs are not registered there are in the informal sector. The regulators must also put in place programs which can educate SMEs on financial management and their financing options.

5.3.2 Recommendations for further study
This study focused on SMEs that managed to survive the harsh economic environment, there is need for future study on those SMEs that failed to survive the environment and if they implemented any strategies. Also, there are SMEs that survived the economic crisis without employing any survival strategy so research can be done to determine the relationship between those that survived without strategies and those that used the survival strategies.
References


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Usman, B. U., 2012. An evaluation of survival strategies of small and medium scale enterprises during economic meltdown, s.l.: University of Sokoto.


APPENDIX 1

BINDURA UNIVERSITY OF SCIENCE EDUCATION

My name is Mary Tapfumanei; I am conducting research studies in partial fulfilment of my degree program an investigation into the SME survival strategies in a turbulent environment. I am a fourth year student at Bindura University of Science Education studying Bachelor of Commerce Honors Degree in Banking and Finance.

For completion of my research I am kindly asking you to complete this questionnaire to the best of your knowledge. The results will be used for academic purposes only and confidentiality is assured by not mentioning individual names or the name of the organization.

Your cooperation and responses will be greatly appreciated. For any queries and questions kindly contact the researcher on 0774 644 913 (Mary Tapfumanei)

Your assistance and co-operation will be highly appreciated.

Thank you.
APPENDIX 2

SECTION A: DEMOGRAPHIC INFORMATION

1. Kindly indicate your gender
   Male [ ]                               Female [ ]

2. What is your age range?
   Less than 20 [ ]            21-30 [ ]           31-40 [ ]            40 and above [ ]

3. What is your level of education?
   Primary [ ]                    Secondary [ ]              tertiary [ ]

4. For how long have you been employed?
   Below 5 years [ ]       6-10 years [ ]       above 10 years [ ]

SECTION B: DETERMINING SME SURVIVAL STRATEGIES

5. Of the listed survival strategies, which ones have you used? Kindly indicate your response by ticking the box which describe the strategies you have used.

<table>
<thead>
<tr>
<th>Survival strategy</th>
<th>Never used</th>
<th>Least used</th>
<th>Cons. used</th>
<th>Freq used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversification</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Converting weak currency to stable foreign currency</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constantly repricing goods and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintaining loyal customer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing credit sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity reduction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION C: EFFECTIVENESS OF THE SURVIVAL STRATEGIES

6. Tick the answer that best describes the effectiveness of the survival strategies used

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Declined</th>
<th>Improved</th>
<th>Breakeven</th>
</tr>
</thead>
</table>

48
<table>
<thead>
<tr>
<th>Profitability</th>
<th>Market share</th>
<th>Capacity utilization</th>
</tr>
</thead>
</table>

SECTION D: RECOMMENDATION OF SURVIVAL STRATEGIES IN A TURBULENT ENVIRONMENT

7. Which management skills have you used to sustain your business?

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....................................................................................................................................................
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APPENDIX 3: INTERVIEW GUIDE
BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
DEPARTMENT OF BANKING AND FINANCE

TOPIC: AN INVESTIGATION INTO THE SME SURVIVAL STRATEGIES IN A TURBULENT ENVIRONMENT: A CASE STUDY OF ZIMBABWE (2008-2018)

Question on determination of survival strategies

1. Do you have business survival strategies to use during economic crisis?
   Yes [ ]                No [ ]

2. If yes which survival strategies have you used?
   ………………………………………………………………………………………………………
   ………………………………………………………………………………………………………
   ………………………………………………………………………………………………………
   ………………………………………………………………………………………………………

Questions on effectiveness of survival strategies

3. Which survival strategies were more effective?
   ………………………………………………………………………………………………………
   ………………………………………………………………………………………………………

50
Recommendation on survival strategies to use in a turbulent

4. Which management skills did you use to sustain your business?