

Why Zimbabwean Products are not Competitive: A Productivity Perspective

Author: Memory Nguwi . October 2019

The OECD defines country or national competitiveness as “the degree to which a country can, under free and fair market conditions, produce goods and services which meet the rest of the international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term.” In order for Zimbabwe to achieve the level of competitiveness required in this definition we need to overhaul the whole system; just the way we do things around here. I am not going to focus on national competitiveness but on the competitiveness of local firms which contribute to country competitiveness. We can’t even talk of national competitiveness because so far it seems we have no capacity to leverage on the resources we to make Zimbabwe a very competitive country.

It is known and it has always been known that Zimbabwean products are uncompetitive for various reasons. The recent press reports coming from the manufacturing sector are indicating that the oil industry like many other sectors will find it difficult to export due to uncompetitive prices.

The sources of competitiveness for Zimbabwean products can be traced directly to the fact that Zimbabwean organisations are un-productive. I have seen stakeholders celebrating the coming in of SI64. Yes SI64 gives relief from outside competition and will lead to increased capacity utilisation but it will not help the local companies to be more productive. CZI and other industry bodies need to encourage their members not to rely on regulatory protection as a strategy to sustain their business performance. The CZI has tended to focus on capacity utilisation instead of productivity. Capacity utilisation is just but one component impacting on productivity but to a larger extend it has nothing to do with efficient use of resources which is at the centre of productivity improvement. The industry’s major thrust has been to increase capacity utilisation with the hope that it will increase competitiveness. This strategy which has been tried many times will not result in Zimbabwean products being competitive.

Instead CZI and the government must focus on productivity measurement and enhancement. At the present moment no one knows the level of productivity in the manufacturing sector. A few guesses here and there but most of them seem completely off the mark considering what we are observing on the ground.

Let me dispel a few myths about productivity before going back to competitiveness and its link to productivity. The first myth is that production equal productivity. Most people including those in high offices celebrate a rise in production and equate that to productivity. Productivity has to do with the efficient use of resources to produce products and services that the market is willing to pay for. There are companies that have 100% capacity utilisation but very unproductive. There are companies that are exceeding their production targets but also highly unproductive.

The second myth is that most people think that every company that is profitable must be highly productive. While that logically make sense, in practice it does not follow that a company that is profitable is highly productive. Profitability in companies can change for reasons that have little to do with productivity. Such factors include price inflation or cost may bear no relationship to the efficient use of resources. In the Zimbabwean situation it is very likely that most companies are being profitable by increasing their prices at a much faster rate than the price of inputs (price over recovery). Zimbabwean companies are over recovering prices but they always blame this on high cost of labour and other inputs. Instead of reducing prices of their products when prices of inputs decrease they celebrate the higher margins that make the products very uncompetitive outside our borders.

Productivity focuses on value creation for all stakeholders and not just for a few stakeholders. Instead of reducing product prices to benefits the customers and allow more customers to buy their products they are looking for regulatory protection. We must all accept that we cannot regulate ourselves to competitiveness as a country. Imagine even if the government was to protect every product that we produce locally we will still fail to export because we are very unproductive. Why have all those who are protected by S64 not reduced their products to enable more local people to but local. Instead in some instances we have seen upward price movements because of people who a greedy who think they now a captive market.

The first thing we need as a country is to start measuring productive at national level, sector level and at company level. This will show the areas where we are getting productivity gains and t5he areas where we are making productivity losses. It is important for people to also understand that productivity is measured between two periods (year to year, quarter to quarter or month to month). You cannot make meaningful conclusions from productivity measurement results based on one period. The best approach to measure productivity at sectorial and company level is to use the profit linked productivity approach. This approach tells you how much productivity gains or losses are impacting your profitability over two periods. It will also show you how much your profitability is impacted by out or resources prices movements.

Which areas will our local industries need to focus on to increase productivity and competitiveness. A business friendly regulatory environment will help but it is unlikely to be the major source of competitive advantage. The first area that can give us competitive advantage to look at our capital structure. How modern are the tools we use and are they backed by latest technology? With a “highly educated” workforce what stops Zimbabwe to leverage on this if this is a true competitive average of the country. Automation, modernisation and ICT are core areas we can leverage on. This must even start with the government. If the government was modernised it would never need the current levels of employees it has which add to the cost of doing business.

The other factor that can give us competitive advantage is to improve on the quality of labour we have. We have a “highly educated” workforce that is running down companies. The quality of management is appalling and this is the hurdle we have to face as a country. Poor leadership and management misuse resources thereby impacting in productivity significantly. Poor managers borrow money and instead of financing the business they squander the money on non-core activities. In the areas of skills development we need to shift the focus to training hands on people who are going to make things work

instead of the current focus where 90% is on training office people who are all aspiring to be managers to manage other managers.

Demand intensity is the other area we need to focus. We need to create products that can sell beyond our borders. Some industries and products need to be allowed to die so that we can create new ones. It's not unique to Zimbabwe that companies close. In every part of the world business close sometimes in order to start afresh in a different area. There are companies here that are still depending on archaic products and business models because these worked 50 years ago. What a shame. We must build industries and products that can compete in any part of the world.

Technical progress is the other area we can focus on specifically technological advancement. If I we go into our manufacturing sector do we find the same technology that you find in Finland, Singapore, and USA etc? If not should that not be our focus? Research and development are another key areas under this cluster. How many innovative ideas or products are coming out of Zimbabwe into the open global market? Until we start working on these key areas we will remain uncompetitive.

I know our wage system is a hindrance but considering that our NEC recommend wages that are not in line with productivity. In Zimbabwe minimum wage is less than \$2 per our but in the highly competitive markets its \$13 to as high as \$18 an hour. With such high wages how come these countries and companies from there are highly competitive? The trick in relation to labour is to get the best people for each role and pay them well to produce the maximum output. The opposite is currently obtaining; we pay people for showing up even if they no nothing and add no value.

In Zimbabwe which product our we known for on the global market? Tobacco and minerals which we are exporting in raw form. We cannot gain competitive advantage from those products because we do not influence the prices. If we are as "clever" as we claim why not build our competitive advantage around the brain power we have. We are too much worried about being protected when the world has moved miles ahead of us. In other parts of the world you get inputs to your product from the cheapest source in any part of the globe. Why on would sofa bean grown here be more expensive than from any other part of the world? The reason is the farms are so unproductive that they would want to make their money in one season. They want to hide under a price umbrella that cripples the whole value chain. This problem is not limited to this industry alone it's a common problem across all sectors.

Zimbabwe has no option but to raise the level of productivity so fast so that we can compete with other nations. India produce information technology engineers in abundance and they export to all parts of the globe. Why cant's Zimbabwe produce its own engineers be they mining engineers, agriculture engineers, data scientist etc. and export the skills. Currently we have exported low level skills that bring some diaspora remittances but we could get more if we export highly skilled individuals. Imagine if we had let's say 50 000 mining engineers all over the world. The benefits would be enormous. Yes we claim to have highly educated workforce. If I may ask; which field are we blessed with highly skilled and educated people except politics? We need to accept that we do not have the skills to raise the level of productivity and develop a strategy to up the levels of skills across key strategic areas. The STEM project by the Ministry of Higher and Tertiary Education, Science & Technology Development is a step in the right direction but its one part of a big puzzle.

Zimbabwean companies must go out there and hassle with everyone. That way they develop the right level of managerial skills and technology required to compete on the global stage.

Memory Nguwi is the Managing Consultant of Industrial Psychology Consultants (Pvt) Ltd, a management and human resources consulting firm. Phone 04-481946-48/ 481950/ 2900276/ 2900966 or cell number 0772 356 361 or email: mnguwi@ipccconsultants.com or visit our website at www.ipccconsultants.com

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