

Confederation of Zimbabwe Industries (CZI)¹

Bulawayo, Zimbabwe

In the CZI Boardroom

After serving two years as president of the Confederation of Zimbabwe Industries (CZI), Eugene Matikiti, the first black president of CZI, knew it was a foregone conclusion that the monthly Executive Committee meeting would not end on time.² Several committee members, known for their tangential comments, had been brooding over the various ills facing the Zimbabwe economy: massive drought, high interest rates (above 35%), lack of a favorable government industrial policy, unfair competition from their southern neighbor (“those darn South Africans!”), etc.

“In Zimbabwe, weather is economics. If it doesn’t rain this year, Bulawayo is going to become a ghost town,” said one industrialist from the textile industry.³

“But even if we had the best rain, there’s no way industry in Zimbabwe can survive without any rational government industrial policy,” said another executive from the metal industry.

“Mr. Musa, can you give us a report on the current status of the business linkage initiative?” asked Matikiti.

“Thank you Mr. President,” said Patrick Musa, Chairman of the Small Industries Development Committee, and one of several black entrepreneurs sitting in a boardroom full of white industrialists.⁴ Musa reported on the status of the business linkage project, funded by the U.S. Agency for International Development (USAID), which was designed to encourage manufacturers to subcontract their noncore activities to SMEs (small- and medium-sized enterprises).⁵

“Since CZI conceived of this business linkage initiative, the companies in this chamber must be the first ones to implement it,” Musa urged. “As you know, big industry in this country is white-owned and most SMEs are black-owned. Linkages can be seen as a potential form of indigenization or helping out the small guy.”

As Musa delivered this report, Eugene Matikiti considered the potential obstacles to implementing this business linkage project: black Africans only recently gained a leadership role in CZI; industry’s resistance toward indigenization; lack of trust between white-controlled industry and black-controlled government and “Rhodie” industrialists’ resistance to changing elements of their businesses.⁶

Along with these attitudinal problems, Matikiti recognized that several uncontrollable circumstances made linkages difficult to achieve. These included interest rates soaring over 35%, inflation hovering around 25%, unemployment at 40%, drought and poor telephone infrastructure among other economic factors. Given these circumstances, how can this business linkage program get jump-started? What should be the private sector’s role in engineering social change?

Business Linkages: Background on the CZI/USAID Project

The Confederation of Zimbabwe Industries, which called itself “The Voice of Industry,” was the primary lobby group for industrialists within Zimbabwe. Its mission and aims appear in Exhibit 1. Since 1993, USAID and the CZI had conducted studies on how business

Exhibit 1
MISSION AND AIMS OF THE CZI

Newspaper article: “The CZI States Its Mission”

The Confederation of Zimbabwe Industries believes that the prosperity of the nation and the welfare of its peoples are primarily dependent upon individual initiative and endeavour. CZI champions the principle of reward for enterprise and freedom so that industry may prosper. To these ends CZI represents and actively promotes the interests of the manufacturing sector in Zimbabwe. In doing this:

- We demand of ourselves integrity, professionalism and a high level of ethical business practice. We advocate these qualities for all in the business sector.
- We influence and advise Government and those with power to effect change.
- We provide for discussion and the formulation of policy pertinent to the well-being of the manufacturing industries.
- We endeavour to anticipate and fulfill the needs of our membership body. We heed, interpret and act upon their views.
- We foster unity among our members.
- We analyse, interpret and disseminate information for the benefit of members.
- We are vigilant in the monitoring of change in the economic environment and recommending how industry may best respond.
- We encourage Zimbabwe to engage in the international business arena.
- We do all this for the benefit of our membership, manufacturing industry and for the well being of Zimbabwe and its people.

Newspaper article: “Aims and Objects of the CZI”

The Confederation of Zimbabwe Industries (CZI) is an independent, self-financed, legally constituted organisation that serves members mainly by speaking out on their behalf and generally representing their interests. The primary purpose of the organisation is to ensure that there is a viable financial and economic environment within which industry can operate effectively, prosper and contribute to national wealth and development.

Promoting a competitive, minimally regulated business environment in Zimbabwe in which sustained development is possible is a major objective. The confederation is an essential source and conduit of information about the manufacturing sector itself, the Government, potential investors and the media. It is an important source of information and advice for its members, with regular communication being directed at its members in relation to their business needs and the general business or economic environment.

Other objectives include: to promote and protect the interest of members in their endeavours to engage in profitable business; to present the views of members to, and to cooperate with and whenever possible support, the Government of the day, local authorities and any bodies associated with and essential to industry. It also seeks to collect, disseminate and make available statistics and other information on any matters concerning or affecting industry, to encourage and promote membership of the confederation and to be responsive to changes in terms of its objectives, structure and activities.

The organisation gathers and maintains information from its members on an interactive basis, with regard to matters related to industry, for subsequent translation into policies and to ensure that the organisation is adequately financed in order to operate effectively within the parameters determined by the National Council of the confederation.

Source: *The Herald*, May 31, 1996, p. C3.

linkages would assist Zimbabwe's transition toward a more market-driven economy. In general, business linkages were defined as commercial dealings between separate, profit-oriented enterprises, a phenomenon prevalent in most modern, market-oriented economies throughout the world.⁷

The CZI understood that Zimbabwe's economy was characterized by a high degree of dualism—a small number

of relatively large white-controlled firms operating alongside a much larger number of black-owned SMEs. As a result of the Unilateral Declaration of Independence (UDI) between 1965 and 1980 and the subsequent sanctions against Rhodesia, Zimbabwe's manufacturers were forced to become their own suppliers by carrying out the majority of operations in-house.⁸ Their operation needed goods that simply could not be imported, and they began to produce them for themselves.

The CZI business linkage project was an attempt to bridge this historical gap between industry and SMEs by creating subcontracting relationships that linked companies from one group with those of the other. Industry was now willing to explore how small local firms might supply needed goods. Since most SMEs were black-owned, linkages were seen as a way for industry to help indigenize Zimbabwe's economy. In order to appeal to industry, linkages were promoted as a way to unbundle noncore business activities and gain a positive image in the eyes of the government and the community at large. The CZI faced the challenge of creating linkages that benefitted both larger industry (the buyer) and the SME (the supplier).

The project attempted to provide four services to industry and SMEs:

- (1) Matchmaking for subcontracting (linkages) between industry and SMEs.
- (2) A comprehensive database of supplier SMEs and buyer industrial firms.
- (3) Referral services for further training and financing to SMEs.
- (4) Monitoring and evaluation of ongoing linkages.

Back in the CZI Boardroom

"We need to set this linkage project in motion," declared Patrick Musa during the Executive Committee meeting at the CZI boardroom. "CZI member companies must set an example by creating demand for subcontracting and outsourcing," he urged.

"If you can find a small guy who can more inexpensively manufacture the steel components used in the door and window frames we produce, my company would be the first in line to purchase his product. But I doubt there is anybody locally who can match our quality and our costs," said a managing director of a steel fabrication firm. "The capital equipment necessary to make the components we require is too expensive for most SMEs. Although linkages seem like a noble idea, the local chaps here lack the capital to supply us with the kind of quality product we need in large numbers."

Before Musa could respond to this criticism, a managing director of a clothing manufacturer offered another complaint. "Last year we entered into a so-called linkage with an SME to take over our button sewing operation. After several order cycles, we noticed that quality began to drop. As we looked into this problem, we discovered that the SME faced internal management problems, such as the books being in disarray, quality controls going unchecked, etc. So we sent one of our executives to this firm to help implement improved

management techniques. However, we terminated this situation because it took too much effort and time on our part to improve the management of the SME."

Musa offered a thoughtful response. "In the beginning there might be several failed linkages. However, we must promote and learn from the successful ones. I urge you to see the importance of merging SMEs into the mainstream economy. With nearly half the work force out of work, unemployment represents one of the biggest challenges our economy faces. SMEs can be the engine for employment creation in this country. First, to ensure sustainable linkages, CZI will have put in place mechanisms for monitoring the quality of SMEs. Second, CZI is working alongside several small business associations and training organizations that can locate and train potential suppliers so that they can develop required capacity to link with industry."

"I have a question for you, Mr. Chairman," said a director of a firm that manufactures nonferrous metal products. "I'm not sure I like the idea of an up and coming outsider taking a look around my business and learning what took years for me to achieve. It would be asking a lot for a company like mine to open its doors to the public for the whole world to see what we do and how we do it. How do we know that these SMEs won't later grow to become our direct competitors?"

An executive committee member who usually offers criticism made an observation supporting linkages during this monthly CZI executive meeting. "In regard to our friend's last question of competition, what is preventing your current employees from starting their own businesses and thereby becoming your direct competitors? Zimbabwe no longer faces international isolation, such as during UDI. When it comes to competition, Zimbabwe is competing globally, not only with South Africa, but also with China, Southeast Asia and even Latin America."

"The notion of a supplier potentially competing directly with the buyer firm is a valid concern," emphasized Musa. "However, once a company's core business activities have been identified, that company should protect those core activities and outsource the non-core activities. Furthermore, unemployment is one of the greatest problems facing Zimbabwe today. Since IMF-driven economic reforms began five years ago, much of Zimbabwe's industry has had to retrench thousands of employees. According to Eric Bloch,⁹ over 50% of the aspiring work force is without work. Consequently, many retrenchees and school-leavers have joined the informal sector or started their own businesses in order to survive, and they're barely surviving!"

"At the end of the day, the nurturing of SMEs is one of the only hopes for creating jobs. Linkages represent an ideal way for industry to use the capabilities of growing

SMEs while obtaining a favorable image in the community," concluded Musa.

When the meeting ended, Musa wondered if he had had much impact, if he had convinced his fellow industrialists of the potential value of business linkages. After most executive committee members departed, Eugene Matikiti had a brief word with Musa.

"It's critical to emphasize to these industrialists the benefits they would receive from linkages, perhaps improved public relations or government relations," Matikiti said. "However, all businesses, large and small, are simply trying to survive these days, let alone begin new linkage relationships. Let's just pray that we have good rain this year," ended Matikiti.

Weather, Economic Forecasts and the Role of Industry

As Eugene Matikiti was attempting to phone a client in Harare from his office in Bulawayo, the heavens opened up and the rain began to pour down. The phone went dead. "These phones are useless, man. The PTC is useless!" Matikiti complained to his secretary.¹⁰ "As soon as we get rain, which we so desperately need, the phone system collapses because it can't handle the weather! Mary, have you seen today's newspaper?"

"Here it is," said Mary, handing her boss the newspaper. "I'm afraid it won't make you any happier, though." In the *Business Herald*, a weekly supplement to the national daily newspaper, Matikiti read an article describing some of the issues facing Bulawayo manufacturers.

"Although this drought-ridden city of an estimated one million people has received above average rains, that has not been enough to cheer up gloomy corporate boardrooms where prospects of sluggish recovery and

slim profits are a depressing sentiment forcing restructuring."¹¹

"Well, at least we're getting some more rain right now," reflected Matikiti, unable to phone his client in Harare.

As managing director of a relatively large manufacturer and president of the Confederation of Zimbabwe Industries, Matikiti had two significant roles to play within the Bulawayo business community: one as a manufacturing executive and the other as a spokesman for local industry. At the end of his second term as president, Matikiti found himself defending industrialists in Bulawayo against allegations they were "white" economic saboteurs trying to overthrow the government. This was particularly challenging for him since he was a black man.

The following scathing lines appeared in a recent editorial in a national newspaper:

"An extremely worrying trend is emerging within the country's manufacturing industry, particularly in Bulawayo, with top white management in some manufacturing companies engaging in clandestine activities in an apparent plot which could have very serious and far-reaching consequences if the trend is not nipped in the bud . . . There can be no doubting the fact that the majority of whites whose managerial skills kept the economy going during the years of economic sanctions have never forgiven Mugabe & Co. for wresting political power from them . . . If our reading is not far off the mark, the activities of those corporate managers concerned are not only deliberate but also calculated to have the maximum damaging effect possible on the country's politico-economic plane."¹²

Matikiti and the CZI were outraged by these outlandish generalizations made by the government-owned newspaper.

The editorial came in response to the news that nine Bulawayo manufacturers, most of them CZI members, were being investigated for illegally siphoning millions of dollars out of Zimbabwe. These companies, including several engineering firms and some manufacturers of textiles, clothing and shoes, were suspected of repatriating earnings to sister companies outside of Zimbabwe while declaring losses inside the country. One company pleaded guilty to siphoning Z\$400,000 from the country, and two others went into provisional liquidation, putting hundreds of jobs at risk.¹³ This industrial probing, which received much attention in the media, further eroded industry's poor relations with the government.

CZI responded to the editorial in the clearest language possible (Exhibit 3). Unfortunately, newspapers refused to publish it.

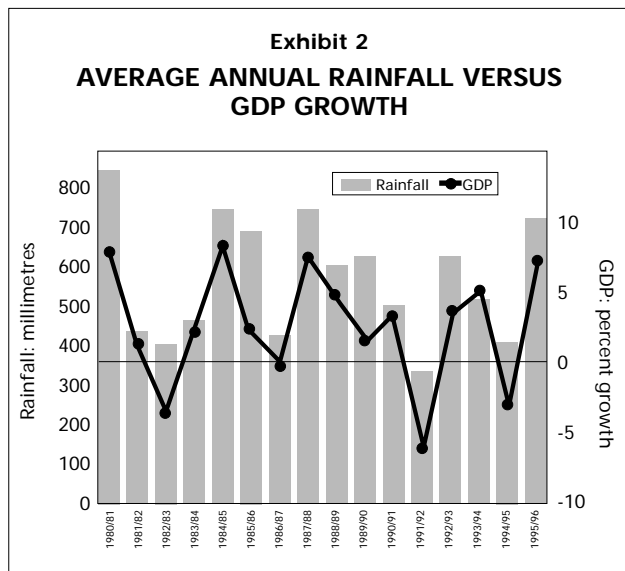


Exhibit 3
CZI RESPONSE TO INFLAMMATORY
NEWSPAPER EDITORIAL

Press Release from the Matabeleland Chamber of Industries. Dated: January 17, 1996.

The Matabeleland Chamber of Industries, of CZI, as the body representing industry, objects in the strongest possible terms to the absurd contents of the Sunday news editorial of 14th January 1996. The editorial is irresponsible, defamatory, derogatory, unbalanced and totally unfounded in reality or common-sense.

Whilst we hold no brief for individual industrialists who may have contravened the law, the notion that there is a "well-orchestrated" plot to sabotage the economy is preposterous. That editorial has implied that all the well-known economic difficulties facing industry nation-wide do not exist. Instead the editor maintains that industry's problems are caused by a conspiracy of deliberate "economic sabotage", causing the companies to fold up. This is alleged to be a deliberate policy to retrench labour, provoking political instability and counter revolution!

This level of journalism is not worthy of a national paper or of a national press owned by the government. This is an insult to the mentality of all readers and the public at large.

The real problems which industry faces are:

- ◆ crippling interest rates
- ◆ shrinking consumer buying power
- ◆ lack of satisfactory trade agreement with our largest trading partner
- ◆ skewed tariffs against industrial inputs
- ◆ excessive Government spending which is fueling inflation

The editorial ignores all these facts and those responsible for the situation, and would like the uninitiated reader to believe that the problems are actually caused by the industrialists themselves!

This editorial is a serious distortion of the facts. Perhaps the editor feels that if the lie is big enough he will get away with it. The tragedy is that we cannot even begin to turn the economy around whilst those with the power to enlighten the public act in such an irresponsible manner. The public should ask itself who in fact is destroying the economy.

Establishing a Business Linkage

CZI members understood that the business linkage program could counter such false accusations by demonstrating industry's interest in improving the local economy and creating opportunities for smaller businesses. Linkages to date, however, had met with difficulties. Assuring quality of production was a major concern.

Still, some CZI members were moved by Patrick Musa's speech and were willing to explore possible linkages.

Musa was approached by Ian Lander, Chairman of Highveld Textiles, to discuss a potential linkage for ZimWeave. ZimWeave, a company within the Highveld Textiles group of companies, was the country's largest manufacturer of blankets.

Ian Lander, an Englishman in his late 50s, had started working in the textile industry in Great Britain at the age of 15. By the time he was in his 20s he had been

Exhibit 4
BUSINESS LINKAGE PROJECT SUFFERS
SETBACK

Newspaper article: "CZI Project for Small Businesses Suffers Setback"

The small industries development project recently launched by the Confederation of Zimbabwe Industries (CZI) to facilitate the subcontracting between large-and medium-scale industries has suffered a setback following the liquidation of numerous manufacturing giants in Bulawayo.

Matabeleland Chamber of Industries president, Eugene Matikiti, said the project, although still on course, has been adversely affected by the closure of Bulawayo companies that were major players in the proposal. "The liquidation of G & D Shoes has been a major setback to the linkages programme because the company was very much involved in subcontracting some of its functions to up-and-coming small companies," he said.

The Tirzah Investment Group management—owners of the beleaguered G & D Shoes (Pvt) Ltd. now under provisional liquidation—cited lack of export incentives and high interest rates as some of the reasons that forced them to seek a voluntary provisional liquidation order to protect their creditors. A joint ZRP Fraud Squad and National Economic Conduct Inspectorate team is investigating G & D Shoes and Zeco (under final liquidation), National Blankets and Merlin Ltd.

Matikiti said more than 90 large and medium-scale companies had registered for the United States Agency for International Development-backed project. He said some of the funds from the two-year USAID grant had started pouring in and a director for the project would be appointed this month. The project, to be centered in Harare and Bulawayo, would initially involve the establishment of a search/brokerage facility whereby large-scale industries would be matched with appropriate small enterprises.

Matikiti said most Zimbabwean companies were taking steps towards registering with the International Standards Organisation (ISO). Many companies were, however, finding this an expensive exercise, especially given the current economic hardships bedeviling many manufacturing plants in the city. "The whole exercise involves engaging consultants and auditors from overseas or South Africa every six months or so, and this could run up to half a million dollars or more," he said.

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transferred to Africa, where he has stayed ever since, advancing over the years to the top of one of Zimbabwe's largest textile firms.

The textile industry in Zimbabwe was fighting a negative image throughout the country. The industry experienced massive retrenchments (layoffs) following the bankruptcy of several firms. Several other textile firms were involved in the alleged plot to sabotage Zimbabwe's economy, mentioned in the editorial above.

"As you know, the textile industry in general and ZimWeave in particular not only have been fighting to survive financially, but also to overcome a negative public relations image. The closure of several firms, massive retrenchments and suspicions of economic sabotage by ZimWeave have severely damaged the image of the textile industry in Zimbabwe," said Lander.

"A couple of years ago, ZimWeave upgraded its fleet of box and plain looms. To this day, the old looms, purchased over 30 years ago, are still sitting idle on the factory floor collecting dust. There are over 30 of these moth-balled looms taking up valuable floor space," continued Lander. "Now, it would be very simple to sell the looms for scrap cast iron just to get rid of them. However, that would be a terrible waste of equipment which could easily be resurrected with the intention of establishing a new business enterprise."

"Instead of just throwing away these old looms, they could be sold to an entrepreneur at scrap value and then reconditioned. ZimWeave would consider entering into an outsourcing arrangement with the entrepreneur. During periods of increased demand, ZimWeave would provide raw materials to the new enterprise and would purchase the output as completed woven blanket stock."

"As far as staffing goes, there are plenty of ZimWeave retrenchees available with the qualifications to operate and maintain the looms. Each loom produces approximately 100 blankets per week based on a 40 hour week."

Musa, who could see the potential of this linkage, asked himself a series of questions. "What is motivating Lander and Highveld Textiles to pursue such a linkage? Would this outsourcing relationship improve ZimWeave's production output? Would this linkage be profitable for both sides? Is it true that these old dusty looms can actually be restored to working condition? Is this linkage opportunity mainly a PR maneuver for ZimWeave?"

"If you think CZI could facilitate creating a new business that utilizes ZimWeave's old looms, please make an appointment with ZimWeave's acting managing director Jack Smith," concluded Lander.

Meeting with ZimWeave's Managing Director Smith

While waiting outside Smith's office at ZimWeave, Musa considered the growth potential of this loom linkage venture. This new enterprise could receive a jump-start from ZimWeave by temporarily offering a guaranteed market, at least for the first few months or a year. The looms could then be reconfigured to manufacture an altogether different product line than ZimWeave's. One operator per loom together with management and an administrative staff would provide several dozen jobs. From ZimWeave's perspective, this linkage represents a way to gain some political kudos and improve the tarnished image of the textile industry.

As Musa was organizing his thoughts for the meeting, a secretary led Musa into Smith's office. "As I mentioned to you on the phone," Musa began, "Mr. Lander suggested the possibility of reviving ZimWeave's old looms with the aim of creating a new business entity. I would like to discuss ways in which CZI could assist in coming up with a win-win proposal for both ZimWeave and the newly formed SME. For convenience sake, let's call this SME 'OLE,' short for Old Loom Enterprise."

Smith replied, "Let me begin by saying, actually, that I am disappointed in your enthusiasm." Musa was shocked and confused. Smith continued, "I think this initiative is doomed to be a non-starter if some basic logistical issues are not covered. You would have to ensure that quality standards would be met; we would require that all payments be made in cash; you would have to locate adequate premises and employees; you would have to source your own financing; it would cost ZimWeave a lot of time and money to maintain the looms on a regular basis . . ." This formidable list of barriers threw Musa slightly off guard. However, Musa remembered that Smith was an accountant by training, not someone who has devoted his whole career to the textile industry, like Lander.

"Furthermore, if we establish an ongoing outsourcing relationship with this so-called OLE outfit, ZimWeave could face some liability problems if the relationship goes sour. Assuming that the looms would be operated by a group of black employees, we don't want to be accused of racism if we have to terminate the relationship as a result of OLE not producing quality products or not paying its bills on time," warned Smith.

"I agree that we must identify all the possible pitfalls so that we can prevent them from happening," Musa responded. "CZI is interested in facilitating linkages that are mutually successful. In this loom linkage, ZimWeave would regain much needed factory floor space while earning some positive PR for enabling some 'little guys' to start their own business."

“That sounds nice on paper, but you must sort out the logistical issues in order for ZimWeave to enter into any kind of linkage. My board of directors is probably very keen on this linkage because ZANU-PF,¹⁴ which holds 50% of the shares in ZimWeave, would look favorably upon it as a way for the company to engage in some form of indigenization,” said Smith.

“If you want this project to be a success, I suggest you contact someone named Andrew Williamson,” advised Smith. “Andrew, who retired as production manager a few years ago, was with ZimWeave for nearly 40 years. He knows these looms inside and out. He would never allow himself to be associated with any substandard weaving operation. Although you might find him difficult to deal with, he’s your man if you want quality. To this day, Andrew is the most qualified loom expert in Zimbabwe. He is the most brilliant machinist and craftsman in the textile weaving industry in Bulawayo, if not the whole country. In fact, this man’s life was his job when he worked here. If you have good people skills and are able to deal with Andrew’s rough edges, he will be the one who can make this linkage fly.”

Encounter with Former ZimWeave Production Manager Williamson

Before meeting Williamson, Musa had prepared his mental list of all the reasons why Williamson should want to get involved in this venture: Williamson could have a great deal of control over operations, he could earn more income to supplement his pension and he could rediscover his passion for textile looms. Assuming that Williamson would be hard to convince, Musa wanted to make this proposal as attractive as possible.

After exchanging pleasantries with Williamson, Musa explained the potential loom linkage with ZimWeave. He described the subcontracting arrangement, the potential of developing a new product line, and the combination of both outsourcing and new product development. Since Williamson came highly recommended by ZimWeave, Musa offered him a leading managerial role in this linkage.

“So, do you think this loom linkage is feasible, and would you like to be involved in organizing it?” asked Musa diplomatically.

“Hell, yes!” Williamson answered immediately. “ZimWeave doesn’t know what the hell it’s doing these days, especially with Smith. Since I left four years ago, that place has gone downhill. I know those looms blindfolded. I got those looms up and running when ZimWeave bought them for £150 each from England 30 years ago. It’s beyond me why they wanted to replace those perfectly good looms. To tell you the truth, I think we’ll be able to show ZimWeave a thing or two.”

Musa was very encouraged by Williamson’s response and was amazed at how easy it was to gain Williamson’s interest in the project.

“Who is behind this deal, anyway?” asked Williamson.

“Ian Lander approached me, originally,” replied Musa.

“That’s a very good sign,” Williamson added.

After this encounter with Williamson, Musa pondered what made Williamson so eager to get involved in this potential linkage. Was he bored since retiring four years ago? Was he interested because his ego was stroked? Did he simply want to make a little extra money? Did Williamson hold a grudge against ZimWeave management? Did he want to compete head to head with ZimWeave?

Musa and Matikiti, Back at the CZI

In preparation for a follow-up meeting with ZimWeave, Musa told Matikiti about his encounters with Smith and Williamson.

“Smith definitely seemed a bit resistant to creating this linkage,” Musa said to Matikiti. “I know you were trained as an accountant, so please don’t take offense at what I’m about to say. But Smith seemed to be the stereotypical conservative accountant who only cares about money. He focused on the problems of the linkage and gave very little impression that he wanted to see it take place.”

“No offense taken, Patrick. Personally, I don’t consider myself simply an accountant. Rather, I strive to be a business leader who can tackle any number of business issues,” bragged Matikiti. “But enough about myself. How about this Williamson character? He seems like just the bloke who can get this linkage airborne.”

“Yes, even though I was warned that he could be somewhat gruff, when I met with him, I found him to be quite agreeable,” answered Musa. “However, there is a downside to making him a key player in this deal. We have to ensure that Williamson trains the staff effectively. Otherwise, when he leaves, the linkage collapses. Without sustainability, it won’t work.”

“This linkage demands Williamson and ZimWeave do some ‘buyer mentoring’ to the SME. Without proper training, this linkage will falter and never be sustainable. Also, Smith is correct about the need to work out the logistics,” added Matikiti. “Williamson’s expertise and mechanical know how will make the linkage credible, especially since he comes so highly recommended by ZimWeave. Since Ian Lander approached you, Smith will probably have to agree to whatever Lander and the board decide.”

“For now, we must come to some basic terms on the

parameters of this linkage. As soon as possible we should have a meeting together with Lander, Smith and Williamson in order to get the ball rolling," suggested Matikiti.

Discussion at the ZimWeave Boardroom

Waiting in the ZimWeave boardroom, Matikiti thought about the number of meetings it had taken simply to get to this point in negotiating an actual linkage. "Let's make sure something tangible comes from this meeting," said Matikiti to Musa.

After Williamson and Smith arrived, Lander began the meeting with the intensity of a rugby coach giving a pep talk minutes before a match. "It's time for us to make this project a reality," Lander declared. "I see OLE outsourcing for ZimWeave during periods of peak demand. During the low seasons, OLE would be free to develop its own product line. After our discussions today, I'm going to expect a proposal coming soon from the CZI."

Matikiti was very pleased with the way this meeting was proceeding. "I envision ZimWeave supplying raw material to OLE for blanket production outsourcing," responded Matikiti. "The tonnage of finished product would have to conform to ZimWeave's standard ratio of finished product to waste; since the waste is reusable, OLE would be required to give back all waste to ZimWeave. This would serve as a control mechanism since the weight of both the product and waste should equal the original raw material weight. Such a system would ensure that OLE does not squander the raw material and should help to alleviate unnecessary cash flow burdens between both companies."

When Matikiti concluded, he noticed Smith shaking his head in disapproval. "Originally, we were simply going to scrap these looms and therefore eliminate any potential liability," said Smith. "I would rather just get rid of them and have nothing more to do with them. In fact, I met with someone from Zambia who is interested in purchasing them. This represents the best option."

"Well, I can't stop you from selling to Zambia," said Matikiti.

"You are in the best position to tell us about the looms, Andrew," said Lander. "What kind of shape are they in?"

"Ach, they're bloody good machines, but they've been sitting idle for years," said Williamson. "Consequently, some of the parts may have been cannibalized. It would be a tragedy to see them continue in this state."

Lander had a suggestion which would get this linkage out of debate and into action. "Let's begin with a three-month pilot scheme using six looms in a direct outsourcing relationship with ZimWeave. If it works, the linkage could be expanded to include more looms and continue on a larger scale. If it doesn't work, we can just write it off as an experiment and sell the looms to Zambia."

NOTES

1. This case was written by Ken Meagor of Monterey Institute of Management. It is intended as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

2. Eugene Matikiti was managing director of Zimbabwe Grain Bag, a manufacturer of polypropylene woven bags which employed over 600 people. Matikiti, an accountant by training, was respected as a leader by both the white and black business communities in Zimbabwe.

3. Bulawayo was the second largest city in Zimbabwe, after the capital Harare. Estimates indicated that Bulawayo, which had been suffering from recurrent drought since 1992, had less than a year's supply of water.

4. Patrick Musa was the owner of Pith Helmet Industries, a company of about 70 employees that manufactured various hats, t-shirts and curios for export and domestic consumption. In the last several years, CZI had made efforts to recruit black entrepreneurs into its leadership ranks.

5. In November 1995 CZI and USAID launched a business linkage project going under the name Zimbabwe Enterprise Development Programme (ZEDP). USAID established a grant to CZI for roughly US\$280,000 to fund ZEDP for a three-year period.

6. "Rhodie" was a term sometimes assigned to whites, usually born in Rhodesia, who still cling to colonial values. They are reluctant to embrace the local cultures of Zimbabwe and are resistant to indigenization.

7. Mead, Donald C. and Kunjeku, Peter, *Business Linkages and Enterprise Development in Zimbabwe*, 1993.

8. In 1965, Ian Smith declared Rhodesia's independence from Great Britain. In protest of Smith's white-controlled government, the international community imposed sanctions against Rhodesia. After a civil war that ended in 1980, Rhodesia became Zimbabwe under the leadership of Robert Mugabe.

9. Eric Bloch, a well-known economist in Zimbabwe, was a columnist for the weekly *Financial Gazette*. In his column of April 25, 1996, he wrote that more than 2.6 million job-seekers are unemployed; 300,000 school-leavers enter the job market every year; and those exiting employment by retirement, death or self-employment are estimated not to exceed 50,000. Mr. Bloch held seats on the boards of several companies and lived in Bulawayo.

10. The Postal and Telecommunication Corporation (PTC) is a parastatal which controls and operates Zimbabwe's postal and telecommunications services. According to the 1994 International Telecommunications Union report, Zimbabwe's teledensity—the number of telephone lines per 100 inhabitants—is 1.3%. According to the 1996-1997 CZI Buyers' Guide, in 1996 there were an estimated 290,000 phone lines available for a population of roughly 11 million. The PTC had acknowledged that more than 100,000 people were on its waiting list for telephones, many of whom have been on the list for the past five years. According to a Zimbabwe Investment Center study, commissioned by the World Bank, investors singled out telecommunications as one of their major worries for doing

business in Zimbabwe (*The Herald*, May 17, 1996; *The Financial Gazette*, May 23, 1996).

11. Basutu, Abel, *The Bulawayo Chronicle*, February 1, 1996.

12. *The Sunday News, Commentary*, January 14, 1996.

13. *The Business Herald*, Local News, January 25, 1996. (At this time the exchange rate was approximately 9.5 \$Zim to 1US\$).

14. ZANU-PF (Zimbabwe African National Union-Patriotic Front), with President Mugabe as First Secretary, was the ruling party in Zimbabwe. Out of 164 Members of Parliament, only three were not ZANU-PF.