

# Applying Entrepreneurship Concept to Decrypt the Socio-Economic Environment of Zimbabwean Rural-Urban Informality Since 2000

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## ABSTRACT

*Zimbabwe's economic revival and growth lies in whether initiatives such as privatisation, liberalisation and entrepreneurship are the lasting solutions to the economic woes that have bedevilled the country in the past two decades. This paper will focus on the entrepreneurial spirit among the people of Zimbabwe and their preparedness in fulfilling their goals despite the country being in economic distress. Empirical evidence suggests that the government led economic fundamentals have failed to improve Zimbabwe's macro-economic principles as the country continues to perform badly both on local and international economic indices as a result of low economic growth, low Foreign Direct Investment, high unemployment rates, structural economic inefficiency, corruption and poor policy implementation. As Zimbabwe is making its economic and political transition, it becomes imperative for an unprecedented economic trajectory. This paper further seeks to explore whether entrepreneurship is the best option for Zimbabwe, and what characteristics make a venture be considered entrepreneurial. All of which is premised in the socio-economic challenges that the country is facing and to ensure a successful transition to sustainable economic growth. Hence, the importance of entrepreneurial initiatives to fulfil the UN Sustainable Development Goal on Economic involvement of Countries of the Global South (GS) will also be cross-examined. A qualitative approach is applied and through interrogation of literature review of business economics and document analysis. The paper further opines that the economic surge created a plausible intent for a deeper critical analysis of economic and development policies.*

**Key words:** Business, Consumption, Economic growth, Entrepreneurship, Environment, Sustainable development, Vendor

## 1.Introduction

Entrepreneurship has been associated with the capacity of individuals to create new businesses and to innovate. Literature on entrepreneurship has sought to explain it using psychological based analysis and cognitive analysis (Gollin, 2008; Desai, 2011). And some literature has sought to explain entrepreneurship using the type of human capital investment in entrepreneurs compared to those who prefer employment. Many development scholars took the position that entrepreneurship is no longer a problem or a relevant restriction on the pace of development in countries of the Global South (GS). On the contrary, entrepreneurship scholars have been more apprehensive with “who, why and how” of entrepreneurship rather than with the impact of entrepreneurship on development or developing countries (Deaton, 2009; Stam et al, 2013). It is widely believed that entrepreneurship is beneficial for sustainable economic growth and development as well as poverty reduction. The focus of this paper is holistic as it seeks to analyse and consolidate various players behind successful entrepreneurship which include institutional factors which determine whether an environment is conducive and free for private and public sector. Thus, the importance of entrepreneurial initiatives to fulfil the UN Sustainable Development Goal (SDG) on economic involvement of the countries of GS. The entrepreneurship process is starts with the education levels and environment that an individual is exposed to mainly because it captures the human capital element (Gries and Naude, 2011). However, the inability to assess for the diversity of the curriculum that an individual is exposed to narrow variables like the level of primary schooling across countries. In addition, the index of human development is used to proffer positive ways in which this concept can be effectively applied and produce economic growth (Maloney, 2004; Yueh, 2009; Acs and Naude, 2013). Formally, the entrepreneurship process starts with the legal process of registering a private company. How long does it take to register a company and to acquire the relevant licenses? Once one has created private property and accumulated wealth to what extent is it protected by property rights? The aptitude of the legal system to protect property rights is quite important for the promotion of entrepreneurship (Blanchflower, 2004).

Conversely, the theoretical and empirical cases for understanding the role of entrepreneurship are not yet firm. Evidence on whether entrepreneurship is vital for sustainable economic growth is not candid; how entrepreneurship has been promoted and how it contributed to development in countries like China and the East Asian Tigers is still a matter of contention; and whether and why private-sector development initiatives may be effective is not well understood clearly (Evennete, 2005; Audretsch, 2009). This paper will explore entrepreneurship through socio-economic lenses by interrogating the discourse and literature bringing out the contested fundamentals such as its characteristics. Does it imply that any person operating a business or a vendor is an entrepreneur? All these questions will be answered and analysed through supported evidence and case studies from Zimbabwe and other countries of the Global South (GS). One way to measure entrepreneurship is to use the Total Entrepreneurship Activity (TEA) Index from the Global Entrepreneurship Monitor (GEM). The GEM defines an entrepreneur as anyone who is either starting a business that he or she will wholly own or is someone who is managing a business that he or she wholly owns that is less than three and a half years old (Van Praag and Versloot, 2007; Gries and Naude, 2011). The business can be in any economic sector, can be any size and can be formal or informal.

## **2.The Scope and Objectives of the Study**

The study was carried out in Zimbabwe to proffer and explore entrepreneurship in the context of evoking deeper understanding whether it should be creative and innovative business ideas, businesses that created employment, businesses that sustainable and businesses that have potential for growth. Accordingly this paper provides an overview of the state of the art in the realm of sustainable entrepreneurship and development. It interrogates theoretical insights from the intersection of entrepreneurship and development studies; with the empirical evidence on that relationship between entrepreneurship and development; and on the fresh insights for entrepreneurship policy for development that emerges from contemporary advancement. This process involved analysing the UN Sustainable Development Goals (SGDs) with specific reference to SDG goal 8 which is about promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Hence the objectives of this paper are:

- Understand what entrepreneurship is, and how it can be clearly distinguished from other concepts in the pursuit of economic trajectory.
- Outline the characteristics that make a venture and informal trading be considered entrepreneurship.
- Find out what needs to be done to make sure that there is space for creative and innovative thinking through Research and Development (R&D).
- Recommend how entrepreneurship can be effectively pursued in Zimbabwe in a conducive environment and enhance educational transformation.

## **3.Theoretical Framework**

### **3.1The Schumpeter Effect**

The study will be guided and reflect on the works of the great theorist Schumpeter. Hence, the process of entrepreneurship activity reducing unemployment levels in the economy is termed “Schumpeter effect”. Maloney (2004) and Audrestsch et al (2007) in their separate studies found that unemployment is negatively associated to new-venture start-ups, that is, as new businesses are created employability is enthused and unemployment reduces considerably. In the same vein, Evennete (2005) and Acs and Naude (2013) note that high unemployment in a country is related to a low degree of entrepreneurial activities, thus, where propensity to set up enterprises is low; the rate of unemployment would be very high. The repercussion of the above assertions is that those who are unemployed tend to remain so mainly because they wield lower endowments of human capital and entrepreneurial skills required to start and sustain new firms to keep them going. A low rate of entrepreneurship culture and skills in any society may be a concern of the low economic growth, which also reflects higher levels of unemployment (Audretsch et al, 2007).

### **3.2 The Refugee Effect**

The course of unemployment accelerating entrepreneurship activity has been named as a “refugee effect” due to the after effects it embodies. However this remarkable viewpoint dates back at least to Oxenfeldt (1943), who pointed out that individuals threatened with unemployment and low prospects for income employment frequently turn to self-employment as a viable alternative. This observation was also an extension of Knight’s view that individuals make a pronouncement among three statuses unemployment, self-employment and employment. Hence, the simple theory of income choice gives credence to refugee effect by proposing that increased unemployment will lead to an increase in start-up business activity on the grounds that the opportunity cost of not starting a firm or venture has decreased. Equally, Van Praag and Versloot (2007) and Stam et al (2013) noted that new firms hire the needed personnel to work for them, thus assisting to reduce the level of unemployment in the society.

## **4. Literature Review**

### **4.1 Socio-Economic Narrative**

Zimbabwe’s current situation is common with most countries of the global south mainly in that its quest for survival is significant and its populace live below US\$ 2 per day; incessant drive for improved living standards; the search for means of livelihood as unemployment rates have scaled as high as 25% in some of the developing countries (Gries and Naude, 2011; World Bank, 2013). The prevailing economic situations in any country usually induce socio-economic effects. For instance, searching for a means of livelihood as a result of prevailing high rate of unemployment leads to analytical and critical thinking as to what type of venture or business to be established. The truth is that, great entrepreneurs have been born this way. The Brazilian experience on EMPRETEC (the Spanish acronym for emprendedores i.e. entrepreneurs and tecnología that is technology) make reference to this (UNCTAD, 2005; Gupta, 2012). Consequently, a comprehensive understanding of what makes up a developing country’s socio-economic needs can lead to conveying entrepreneurship-driven national economic development plan. Schumpeter (1961) and McClelland (1961)’ theories substantiate that most of the socio-economic needs prevalent in country like Zimbabwe underlie what is termed as “entrepreneurial spirit” or “entrepreneurial tendencies”. (Obamba, 2013; Dorin and Alexandru, 2014) Hence, this entrepreneurial spirit or tendencies in individuals and firms can be harnessed on a whole scale to engender innovation, productivity and economic development. According to Van Praag and Versloot (2007), prospects and opportunity for entrepreneurship within an economy such as in Zimbabwe is an “economic opportunity” that needs to be exploited for economic progress and expansion.

### **4.2 Entrepreneurship in Zimbabwe**

Entrepreneurship is seen as an alternative to unemployment and poverty reductive which could a universal panacea for economic growth and development in Zimbabwe. Currently, entrepreneurship and small businesses are the basics of an economy like ours, and is responsible for breakthrough innovations and cutting edge research which influence the growth of a free market economy and its general performance (Obamba, 2013). Primarily entrepreneurship was perceived as starting a business with people using their own money. For instance, most informal businesses in Harare’s Glen View suburb and small scale industries in Kadoma are classical case studies. Entrepreneurs with their pivotal role have been known to exist for a long time, but the study of entrepreneurship in the contemporary sense emerged with Schumpeter’s definition of entrepreneurs as “innovators, who use a process of cataclysmic the status quo of the existing products and services to set up new products, new services” (Majid and Kloe; Sharma et al., 2013).

### **4.3 Sustainable Entrepreneurship for Development**

Sustainable entrepreneurship (SE) is a perspective that merges both sustainability and entrepreneurship, and has been defined as an innovative, market leaning and personality driven form of value creation by environmentally or socially beneficial innovations and products/ goods exceeding the start-up phase of a business or company

(Sharma et al, 2013). Furthermore, sustainable entrepreneurship (SE) can be defined as the conception of continuation of operations, new enterprising activities such as innovation, new venture and planned renewal leading to social and economic performance within small-medium enterprises (SMEs) and companies (Habbershon et al., 2010; Majid and Koe, 2012). Sustainopreneurship can be defined as the use of business unifying spirit to unravel problems related to social and environmental sustainability. It is a “business with a cause” - where world problems are turned into business opportunities by disposition of sustainability innovations. That is exactly what is required for resuscitation of Zimbabwean economy. Simply put, the idea of sustainopreneurship could be defined as entrepreneurship and innovation for sustainability. The process of conceptual extension and development moves through a merger of ecological and social “preneurship” towards sustainability entrepreneurship and sustainopreneurship (Abrahamson, 2007).

SE entails that entrepreneurs to be have skills and niche focused as they also construct new rules by delivering new products, establishing more efficient and effective processes, innovating in ways that lead to the development of new markets, and shaping new norms and beliefs (Gupta; 2012; Sharma et al, 2013). Entrepreneurship is the main factor for economic growth, management process which is based on innovation and which requires remaining competitive on the market after technological revolution, it is to a great extent based on technologies driven by already developed production information and knowledge (Spence et al, 2011). Embracing SE in Zimbabwe should also be guided by the will power and commitment of entrepreneurs to work beyond their limits to exploit the opportunity brought by change and not only being the one who causes the change. Entrepreneurial opportunity can be found in person's network and as a result, a network rich in entrepreneurial opportunities surrounds a person motivated to be an entrepreneur (Dorin and Alexandru, 2014). Sustainable Entrepreneurship involves three main fundamentals such as opportunities, enterprising individuals and resourcefulness. In other words entrepreneurship as a field includes the scholarly examination of how, by whom and with what effects opportunities to create future goods, products and services are to be discovered, examined, evaluated and exploited. In this context, SMEs' involvement in sustainable development can be viewed as an entrepreneurial act. The sustainability market is in its trajectory phase in industrialised countries of the global north and still quasi-non-existent in countries of the global south. However, this market presents not only uncertainties but also opportunities to those who can recognize them. Moreover, several studies have shown that embracing sustainable strategies and integrating them at the core of the strategic activities creates value for stakeholders and preserves wealth for future generations (Spence et al., 2011; Gupta, 2013).

#### **4.4 Copycat Syndrome in Entrepreneurial Initiatives**

The Zimbabwean case in point, entrepreneurship spirit has been dogged by less specialisation and creativity on the part of aspiring entrepreneurs. There is a lot of copying or following each other's venture as long as it is making profitable income at the expense of being innovative and produce products that worth the value of money for the consumers. This will result in lack of competitive advantage and products being produced will be of low quality. For instance the case of Tabita has started with 200 chickens in the spare room of her house in Bulawayo, and after six weeks starts selling the chickens. Her neighbours instead of being innovative and start different ventures will as well copy that particular business initiative. Conversely, such traits are unsustainable as they result in no differentiation of enterprises and businesses that are being established. Hence, instead of copycat ventures varying there is need to look into gaps for instance Chido makes school clothing and accessories and Thembi makes furniture. Between them they would provide sustainable employment to eight people, and the total investment across their businesses would \$2000. However, lack of supply chain management arrangements and value creation that is market location has resulted in the loss of much needed capital and employability to those who are jobless. In Zimbabwe and the rest of countries with similar strained economies face this challenge, as most SMEs are in the informal sector and their enterprises are not diversified hence most goods and products channelled into the markets are grey products (Obamba, 2013). The end result is lack of pricing strategy knowledge which in way contributes to failure of innovativeness and skills.

#### **4.5 Expansion and Business Growth**

Most entrepreneurs in Zimbabwe especially those in the informal sectors and are briefcase enterprises that lack integration to surge forward or even backwards hence their growth is retarded. This will result in the collapse and failure as no strategies and vision to embrace research and development in bid to improve the products and goods produced or supplied to the consumers (Gries and Naude, 2013). Lack of growth strategies has been attributed in most cases to lack of skills and knowledge of how to invest and implement expansion strategies. Globally, clear cut business plans and strategies aided with integration have made it possible for entrepreneurs like Richard Branson. In Africa, Allen Dangote, used a loan from his uncle to build a cement business and is now worth 10.2 billion dollars has been flagship and managed to integrate his ventures and business, the end result was the growth of a huge empire. This has further contributed immensely to economic development and sustaining the livelihoods of many people across the African continent. Most notable entrepreneurs who have made a difference and succeeded include Strive Masiyiwa, the richest man in Zimbabwe (at least officially) who moved from being an engineer at Post and Telecommunication Corporation (PTC) to establish Econet against all odds and has a market capitalisation of 700 million dollars. But those people are the exception rather than the imperative. They are aspirational in many senses, but not the model that that can be used to mould the course of action and thinking about entrepreneurship and formalise the informal sector (Maloney, 2004; Van Praag and Versloot, 2007).

#### **5. Methodology**

This study uses empirical evidence and a qualitative research approach which is backed by primary and secondary data collection methods. Various documents have been reviewed so as to understand how the government led economic fundamentals have failed to improve Zimbabwe's macro-economic principles as the country continues to perform badly both on local and international economic indices. And the importance of entrepreneurial initiatives to fulfil the UN Sustainable Development Goal on Economic involvement of Countries of the Global South (GS) will also be cross-examined.

#### **6. Discussion and Results**

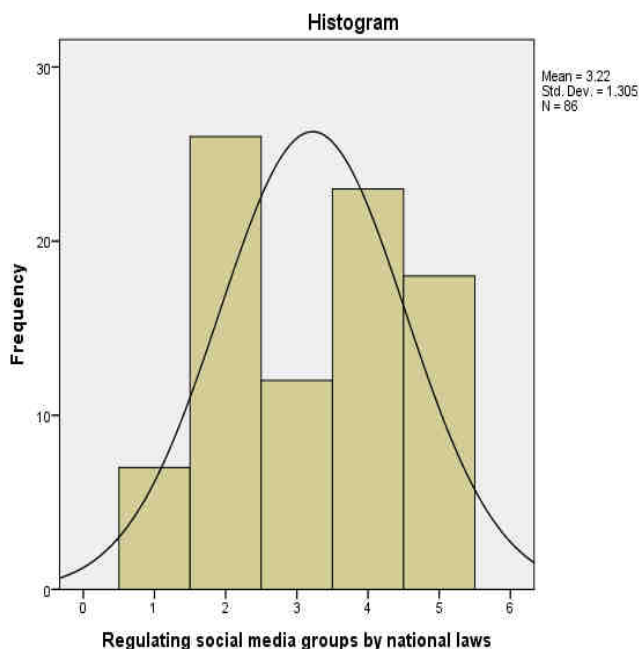
It is vital to note that the theory solution needed based on literature and the points raised earlier strongly supports and advocates for Sustainable entrepreneurship. Hence, communities and entrepreneurs must not replicate what is being done because that does not enhance competitive advantage to the business. People can however, create clusters of specialisations of their products sales in a community. With fewer players to establish a competition, Businesses create conducive competition through alliances. Establishing supply chain with the producers and farmers and farmers should not be allowed to sell directly to consumers. They can only sell to retailers and other businesses. Value chain can be packaging, special market centres where all farm produce must be sold. Farmers can establish relationships with sellers by entering into an agreement to supply them. All people can sell at one stall for different people under one trading company made of different shareholders. Pricing should demonstrate demand and supply relationship. When supply is huge then prices should be less, when supply is less the prices go up.

**Belonging to many social groups**

Table 1. Belonging to many social media groups

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid Strongly disagree	2	2.3	2.3	2.3
disagree	9	10.5	10.5	12.8
Neither agree nor disagree	7	8.1	8.1	20.9
agree	49	57.0	57.0	77.9
Strongly agree	19	22.1	22.1	100.0
Total	86	100.0	100.0	

Expansion that companies are year to another. based on



strategy should show growing from one Product diversity seasonality...

Figure 1. Regulating social media groups by national laws

Table 2. Understanding policies of social media groups

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	6	7.0	7.0	7.0
Disagree	14	16.3	16.3	23.3
Neither agree nor disagree	16	18.6	18.6	41.9
Agree	42	48.8	48.8	90.7
Strongly agree	8	9.3	9.3	100.0
Total	86	100.0	100.0	

## 7.Recommendations and Conclusions

Many researchers agree that entrepreneurs have contributed significantly to the world's society, economy as well as human kind through job creation, utilization of business opportunities and product innovation (Majid and Koe, 2012). The rise of awareness for sustainable development is due to concerns about environmental risks, which has prompted popular demand for corrective and preventive action. Environmental discontinuities such as pollution, land degradation and climate change are examples of effects from entrepreneurial activities in the society (Desai, 2011). As a consequence, the scope of a business is urged to span further than mere financial performance as ethically and socially aware behaviour is not only socially desirable, but also a normal and acceptable (even expected) element of business life (Spence et al., 2011).

Sustainable entrepreneurs should have a clear vision of their companies' direction that includes sustainable development. Sustainable entrepreneurs focus on a business idea that balances the social, economic, and environmental impacts of their activities by engaging their companies strategically in sustainable practices in the search for competitiveness and efficiency in the three areas of sustainability (Gupta, 2012; World Bank, 2013). Sustainable entrepreneurship is, however, risk taking endeavours since most integrated sustainable activities have a long-term scope and return on investments may take some time. Sustainable entrepreneurs should show a high entrepreneurial orientation with the support of the SME's internal culture and routines at the organizational level of analysis (Spence et al., 2011). Sustainable entrepreneurship requires a holistically and equally contributions to economic, social and environmental sustainability.

Sustainable entrepreneurs can act as the catalysts for transitioning from current economy to a sustainable economy and fill the gaps left by businesses and governmental agencies in providing critical social and environmental goods and services by evolving from focusing on only one sub-area of sustainability and starting to include all. Moreover, triple bottom line serves as a useful tool to be used by companies, non-profit organizations and government agencies to measure sustainability performance under the headings of environmental quality, social justice and economic prosperity (Majid and Koe, 2012). Sustainable entrepreneurship as a concept is mission and cause oriented which implies motives and goals beyond, or rather aside "just making profit". Business activities are utilized to solve problems, and profit making becomes a means, not an end in itself with the business created. Sustainable entrepreneurship has an awareness of the sustainability aspects of its operation, its impact from process and result (Deaton, 2009). In other words, it is in the land in between for-profit and not-for-profit, in between cash and cause. The main goal of the business activity of the sustainable entrepreneurs should be "looking for prosperity". This study broadens the understanding of the concept of sustainable entrepreneurship and contributes to identifying that beyond entrepreneurial will, socio-cultural conditions and institutional realities could affect the adoption of sustainable practices in SMEs.

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