Journal Of Harmonized Research (JOHR)

Journal Of Harmonized Research in Management
6(2), 2020, 22-35

ISSN 2454-5384

Original Research Article

THE EFFECTS OF THE MULTI-CURRENCY SYSTEM ON THE PERFORMANCE OF THE MANUFACTURING SECTOR IN ZIMBABWE

Naison Manda & Vusumuzi Sibanda

Graduate School of Business, National University of Science and Technology
P.O. Box AC 939, Ascot, Bulawayo

Abstract: - This study examined the impact of MCR on the performance of the manufacturing sector in Zimbabwe. The study adopted a survey design in which a mixed methods approach was used to collect both quantitative and qualitative data. The population for this study comprised of 38 manufacturing companies in Zimbabwe listed on the Zimbabwe Stock Exchange (ZSE) and are members of the Confederation of Zimbabwe Industries (CZI). Stratified random sampling was used to select 160 participants in 10 manufacturing companies in Harare. Data from the respondents in the manufacturing companies was collected using questionnaires. The study also sought the opinions of five key stakeholders from the Ministry of Finance, Ministry of Industry and Trade, Reserve Bank of Zimbabwe, Confederation of Zimbabwe Industry and Bankers Association of Zimbabwe in order to consolidate the study and data were collected using interviews. The study found out that the use of the MCR in the Zimbabwean economy resulted in the loss of control over Monetary Policy and the 'market' had since dictated and adopted the US Dollar as the major transacting currency resulting in massive capital flight. The study further showed that a number of changes were necessary in manufacturing companies, which include change of management and having new ideas, investment in human resources through training, and acquisition of new machinery. The study recommends the reintroduction of the Zimbabwean local currency and placing of embargos against importation of certain goods to boost local production. Furthermore, manufacturing companies need to invest in research and development and come up with new, unique products.

Keywords: Capacity Utilisation, Manufacturing Sector, Multi-Currency Regime, Performance

For Correspondence:
vusa_sibanda@yahoo.com.
Received on: January 2018
Accepted after revision: March 2018
DOI: 10.30876/JOHR.6.2.2020.22-35

Introduction: Since the turn of the 21st Century, there has been sluggish performance in the Zimbabwean manufacturing sector with policy makers and scholars proffering varied reasons on the challenges impinging on the performance of the manufacturing sector. For instance, the years post year 2000 were

characterised by a significant reduction in the manufacturing sector productivity with a weak currency cited as the main contributing factor (African Development Bank, 2014; Aye, Gupta and Moyo, 2014; Kararach, Kadenge, and Guvheya, 2010). The decline in the manufacturing sector performance during the period 2000 to 2008 could be attributed to a weak currency and inflation. In 2009, Zimbabwe was forced to adopt a multi-currency regime (MCR) anchored on the United States Dollar (US Dollar). However, less than a decade after the introduction of MCR, performance in the manufacturing sector has not significantly improved and the issue of a strong currency is being touted as a major hindrance (Jefferis, Chigumira and Chipumho, 2013; Buigut, 2015; and Nyarota, 2015).

The manufacturing sector had not been performing well despite the use of a stable currency regime in Zimbabwe. Productivity remained low despite the fact that there is now easy access to foreign currency. The cost of doing business in Zimbabwe was high making exports very expensive. Zimbabwe had become a 'market place' for foreign products, as the US Dollar seemed to be attracting imports. The manufacturing companies were facing a host of challenges, which include lack of credit lines and competition from 'cheap imports'. The manufacturing sector at its peak, contributed 23% to GDP in 1995 but that level had gone down to about less than 12% (ZIMSTAT, 2014). One of the cited causes was the use of a 'strong' currency that made it expensive to produce commodities. Therefore, this study sought to examine the negative effects of the MCR on the performance of the manufacturing sector and to propose options for improving capacity utilisation. The specific research objectives were to: examine problems associated with use of MCR in an economy; examine the effects of the MCR on the performance of the Zimbabwean manufacturing sector from 2009 to 2016; investigate the factors contributing to the trend in capacity utilisation between the years 2009 and 2016; and devise strategies for improving the performance of the manufacturing sector under the MCR.

Theoretical Framework

Multi-Factor Productivity Theory: According to Wangwe, Mmari, Aikaeli, Rutatina, Mboghoina, and Kinyondo (2014), the multi-factor productivity (MFP) theory states that there are multiple factors that influence productivity in any economy. The MFP theory identifies the factors with the highest influence on the output and growth of an industry or economy after calculating the contribution from all its factor inputs. Primary inputs (or primary factor inputs) are resources that are critical in the productivity of the manufacturing sector and these include labour and capital (Wangwe et al., 2014). This study sought to examine if the MCR affects the manufacturing companies' ability to acquire multiple factor inputs.

The Growth Accounting Framework: According to Isaksson (2007), the Growth Accounting Framework (GAF) was first formalised by Solow in1957. The GAF serves as a catalyst for breaking down the sources of economic growth into the contributions from increases in capital, labour and other factors. The Growth Accounting Framework provides a unique way of studying the changing structure of the economy, and scrutinizing the contribution of each sector or industry to the whole. This study sought to examine if the MCR was a source of economic growth.

The Effects of Using the MCR in an Economy: The issue of currency has been a global subject of debate prior to Zimbabwe's adoption of MCR. Tenreyro (2001) points out that, as a strategy for improving their economic performance, American countries like Ecuador, El Salvador and Panama adopted the US Dollar. Sigauke (2015) affirms that the adoption of multiple currencies in Mozambique, Zambia, Turkey and Yugoslavia brought success to the economies of these countries. However, there is evidence pointing to the contrary in Ecuador, El Salvador and Panama following dollarization.

Sigauke (2015, p.15) further observes that American countries that have dollarized their economies, still lack notable economic development compared to their peers who have not dollarized. From the above argument, the adoption of the multi-currency system has mixed results and seems not to be a panacea to economic revival.

Kokenyne, Ley, and Veryune (2010), postulate that dollarization necessitated economic stability and economic growth in Ecuador though unemployment remained high, with the labour market unresponsive. Stability was recorded in prices and the exchange rates and prudent fiscal management, which enhanced economic growth (Kokenyne et al., 2010), backed this. Bhalla (2008) had conducted an earlier investigation on the effects of dollarization in Latin American countries and concluded that dollarization is not a panacea to all economic ills as some countries like Ecuador experienced a debt explosion after dollarization. In addition, a country with many third party trading partners often experiences a decline in competitiveness if the currency appreciated against a country's trading partner currencies. Berkmen and Cavallo (2010) also observe that dollarization of the Somali economy brought severe economic turmoil characterised by price instability in the domestic market. These findings imply that policy makers and business pundits should not over-rely on the US Dollar as a stabilisation policy, but should have a managed float on a basket of currency in the short term while conditioning for the use of the domestic currency for enhanced economic performance in the end.

The Effects of the MCR on the Performance of the Manufacturing Sector: The legislature of Zimbabwe embraced the MCR in February 2009 and demonetization of the Zimbabwean dollar was in July 2009 after nearly 10 years of macroeconomic challenges on the Zimbabwean dollar (Africa Development Bank, 2014). A stable currency is paramount for Zimbabwe because money is the medium of exchange in any economy. Therefore, a stable currency is essential for any business to thrive and a number of scholars (Bhalla, 2008; Neanidis and Savva, 2009; and Olalekan, 2009) support this view. These earlier research findings seem to hold true for Zimbabwe because, according to Kararach et al. (2010), the issue of currency remains central to Zimbabwe's economic growth and sustainability.

The use of a basket of currencies following a series of unprecedented levels of inflation resulted in positive economic performance due to an improved business environment. According to (CZI, 2011), industrial capacity utilisation improved from estimated levels of less than 10% in 2008 to 57.6% in 2011 due to stability of prices in the economy. Anchored by an improved industrial capacity utilisation, GDP, which had collectively fallen by approximately 50% over the period 2000 to 2008, recovered to an average of 10.6% over the period 2009 to 2012 (ibid, pp.3). More so, ZIMSTATS (2014) points out that export performance improved markedly from US$1.65 billion in 2008 to US$4.4 billion in 2011 before declining to US$3.4 billion in 2014. Inflation averaged 3.3 percent during 2009-2014, while real GDP grew on average more than 8 percent a year (Africa Development Bank, 2014). It is therefore, prudent to take a closer look at the overall economic performance before one is tempted to consider these outcomes a success. CZI (2015) notes that from the year 2012, productivity in the manufacturing sector was on a downward spiral and most products on the shop shelves are imported. The 2015 Manufacturing Sector Survey recorded a decline in the sector compared to 2014 in which the weighted capacity utilisation lost 2.2% from 36.5% to 34.3% (CZI, 2015).

Factors Influencing Capacity Utilisation in the Manufacturing Sector: According to the African Development Bank (2014), the goal of all economic decision making units should prioritise productive efficiency and full utilisation of existing capacity. In order to

achieve these goals, economic decision making units face two types of business environment: micro and macro business environments. The micro business environment is within the control of managers and consists of different types of stakeholders such as customers, employees, and suppliers (Johnson & Scholes, 2010). On the other hand, the macro business environment includes all exogenous factors that influence decision making on resource use and performance of any business. Any changes in the microenvironment have a direct effect on the firm's activities, while changes in the macro environment will indirectly affect the firm's operating costs and ultimately, its overall performance. In addition, the work of Kennerley and Neely (2013) show that an unconducive macro business environment increases the cost of technology adoption thus reduce long-term economic growth at the national level. The macro business environment influences many things including credit availability. Consequently, the productive efficiency of manufacturers hinge on the macro business environment prevailing in the country and on how well management adapts to these variables (Bhalla, 2008).

The influence of macroeconomic factors as predictors of capacity utilisation is well documented by scholars such as Bhalla (2008); Berkmen and Cavallo (2010). The macroeconomic variables include among others; inflation rate, real exchange rate, real loans and advances, ratio of import of manufactures to GDP, ratio of government expenditures to GDP and ratio of foreign direct investment on GDP. The macro business environment encourages firms to operate efficiently and incentivises firms to be innovative and increase productive efficiency. An unconducive macro business environment negatively affects the production process. Some of the macro business environmental factors that influence manufacturing companies are power supply, interest rates, inflation, and globalisation (Nyarota, 2015).This study focused on one macro-economic variable, which is currency.

An important macroeconomic environmental variable that has a close relationship to currency is interest rates. Interest rates affect capacity utilisation because they influence access to credit lines (Grant, 2008). When banks lend money to a manufacturer, they use depositor's money. In most African countries, the interest charged, which currently is about 25% of the principal is made up of two components; 5% to depositors and 20% to cover bank overhead and profit. This high interest rate explodes production cost, which impacts negatively on capacity utilisation (Mecagni et al., 2015). Moreover, inflation negatively affects capacity utilisation and the performance of companies. However, in Zimbabwe, inflation is not currently a problem as the adoption of the multi-currency system in 2009 resulted in the stabilisation of the inflation rate.

Another macro environmental factor that has a close linkage with currency is foreign exchange rate. Adam and Cobham (2007) observed that the macroeconomic variables (exchange rate, inflation rate, imports, and foreign direct investment) account for 50% variation in capacity utilisation while inflation rate was the only variable that had a negative impact on capacity utilisation. The findings by Adam and Cobham (2007) also revealed a very strong positive and significant relationship between imported products and capacity utilisation, an indication that Africa is highly import dependent.

Power supply is a major factor influencing the performance of the manufacturing sector. In Nigeria, the work of Jerome (2008) gave an insight into the gross inefficiency that characterised most public enterprises like the Power Holding Company of Nigeria (PHCN). The study by Jerome (2008) revealed that the installed capacity of PHCN in the 1980s was 6000MW but by 1990, the available installed capacity dropped to less than 2000MW and has continued to drop since then. Some of the

electricity generation centres that were available in 1980s were no longer available by 1990 and the main reasons for the continued drop being the inefficiency and corruption. In similar vein, Zimbabwe is facing power shortages that are partly to blame for low capacity utilisation. The sole electricity generator in Zimbabwe, the Zimbabwe Power Company (ZPC) is not able to provide adequate electricity (Nyoni, 2012).

As globalisation and market liberalisation continue in Zimbabwe, a lot of opportunities and threats continue to be unearthed. Companies in Zimbabwe have to contend with high levels of competition and are struggling to cope both on the exports and imports front in an international economic setting. According to Kairiza (2012, p.13) "there are unprecedented pressures on companies to improve their operational efficiency for enhanced competitiveness and overall business performance". The pressure is borne from many angles that include competition from foreign products, new product introduction by competitors, rapid technological improvements and shorter product life cycles, unanticipated customer shifts, and advances in manufacturing and information technology. Along similar lines, Tyavambiza and Nyangara (2015) posit that under the new economic dispensation, companies must provide a reliable product, or service, on time and ensure that customer aspirations are met. To sustain operations amidst challenges and to tap into opportunities availed by globalisation, Zimbabwean manufacturers should be internationally competitive through improving operational efficiency and management practice.

Strategies for Increasing Capacity Utilisation under MCR: Manufacturing companies need to formulate and implement sound strategies so that they are able to face international giants using the MCR. It is essential to note that, of all the parts that go into making a successful strategy implementation, nothing is more important than leadership (Day & Antonakis, 2012). Grant (2008) affirms the position that leadership is a more critical factor that may suffocate companies than the quality of staff or management. Consequently, this calls for leadership agility, collaboration and tap into their current knowldge while mining for new expertise (Jared, Bleak & Fumer, 2009). Effective leadership involves a type of responsibility aimed at achieving particular ends by applying the available resources (human and material) and ensuring a cohesive and coherent organisation in the process (Men, 2010).

In addition, there is need for a strong and performance orientated culture in the manufacturing companies. According to Shephard (2016), the characteristics of a strong culture include being strategic in nature, globally competitive, human resource focus, continuous improvement and visionary leadership. Strong culture produces a strong leader and ensures the success of companies. The culture of organisations is dependent on the attributes of the leaders. The leaders should continue exhibiting some of the traits of effective leaders, which are courage, patience, a steely mental toughness, the passion and enthusiasm needed to bring about change (Men, 2010).

Related to leadership and organisational culture are the human resources. Bartlett and Goshal (2011) are of the view that the foundation of a successful strategy is more a product of human and not financial capital. This is a changing view of strategic resources in organisations. The challenge is to alter the belief that finance is the critical strategic resource to be managed and senior managers' key responsibilities should focus on its attainment, distribution, and proper use. However, for the majority of companies this does not apply anymore. While the prudent use of financial resources cannot be down played, growth constraint may not be attributed to financial capital (Caliskan, 2010). Globalisation has increased capital markets thus widening the supply side, while idle industry capacity has contracted the demand side. Some meaningful gains have been achieved resulting

in financial capital boost for most companies. However, many cannot even generate sufficient high quality human resources to use the available finances productively and face challenges. The management of people has never been as important as it is today hence the need to realise the changed competitive advantage, which prompts development of a new frame of reference for considering issues of human resource management and strategy (Caliskan, 2010).

Furthermore, there is need for new and efficient technology. Peterson (2012) highlights the importance of technological forecasting and technological assessment. Integrated technology road mapping provides a practical instrument for middle and long-range technology development and corporate business strategy formulation by aligning internal and external resources and social marketing focus. The world's top industrial companies like China, Italy, and Germany have invested heavily on modern production systems and innovation in manufacturing to address varied aspirations of international consumers (Otley, 2012). Various sources of evidence identify advancing technology as the prime factor that boosts not only long-term productivity but also economic growth. High-powered machines have emerged with benefits of efficiency and adaptability reducing labour requirements by approximately 40 percent (Sabanci, 2005; Johnson & Scholes, 2010).

Moreover, sustainable prices can also help increase capacity utilization and performance. Grant (2008) posits that price represents the amount of money a customer has to pay in order to acquire a product. Pricing decisions have the capability of helping direct the flow of consumption into socially and environmentally useful areas. The challenge is translating environmental improvement into value for the consumer, or at least into a value proposition that they are willing to pay for. It is, therefore, important that manufacturing companies in Zimbabwe set prices that customers are willing and able to pay.

Given that manufacturing companies had been struggling for a long time in Zimbabwe, there is a need for turnaround strategies. Radon (2004) opines that corporate strategies can be categorised into three, namely growth, stability and turnaround. Peterson (2012) defines corporate turnaround as the recovery of a firm's economic performance following an existence-threatening decline. The decline may occur over several years although there are situations when extraordinary events occurring over a shorter period can place a firm in peril. Peterson (2012) further explains that successful recovery, in its most subdued form, may involve mere turnaround with economic performance only just acceptable to the firm's various stakeholders. On the other hand, in its most positive form, the recovery may lead to the firm achieving sustainable, superior competitive positions in its chosen areas of activity.

Methodology: This study adopted a survey design which allowed collection of data from a number of participants from the manufacturing sector (Creswell, 2014). The population for this study was made up of 38 manufacturing companies in Zimbabwe that are listed on the Zimbabwe Stock Exchange (ZSE) and who are also members of the Confederation of Zimbabwe Industries (CZI). A total of 160 questionnaires were distributed to collect data from managers and employees drawn from a sample of 10 listed manufacturing companies based in Harare, the capital city of Zimbabwe. Stratified random sampling was used to select top managers, middle managers, supervisors, and non-managerial employees in 10 sampled listed manufacturing companies based in Harare. In addition, interviews were conducted with five key informants drawn from officials in the Ministry of Finance and Economic Development, Ministry of Industry and Trade, Reserve Bank of Zimbabwe, Confederation of Zimbabwe Industries and Bankers Association of Zimbabwe. These key informants are

stakeholders and regulators who provided valuable information which corroborated the study. The 'fish-bowl' or 'lottery' method was used to select 10 companies based in Harare. Each sampled company provided 10 non-managerial employees, three supervisors, two middle level managers, and one member from top management. The Statistical Package for Social Sciences (SPSS) was used in quantitative data analysis while qualitative data was analysed using thematic analysis.

Findings and Discussions

Problems Associated with use of Multi-Currency Regime: The findings show that some of the problems associated with use of MCR are loss of seniorage, lack of control over exchange rates and liquidity challenges. Furthermore, the findings indicate that the use of the MCR in Zimbabwe resulted in the locally manufactured goods becoming more expensive as compared to the neighbouring countries. One key informant remarked, *"If we use the US Dollar, then our productivity level has to match that of the United States. Unfortunately we cannot and hence our competitiveness is lost*". Accordingly, there was the reduction in the competitiveness of local manufacturing industry against regional companies as the local products have become too expensive as compared to cheap imports.

Effects of Multi-Currency Regime on Performance of the Zimbabwean Manufacturing Sector: On a positive note, the use of MCR stabilised inflation levels thus making planning easy and eliminating risks associated with exchange rate volatility. In addition, the availability of the US Dollar made it easy to get foreign currency for imports in particular raw materials and facilitated integration into the international economy. One of the participants interviewed noted;

"It needs to be noted that the adoption of the MCR stabilised the macro-economy by containing inflation and allowing the private and public sectors the possibilities of medium to long-term planning. This restored some degree of business confidence in the economy".

There were a number of negative effects of the MCR on the performance of the manufacturing sector. The high cost of local production due to appreciation of the US Dollar, the influx of cheap imports due to the need for external manufacturers to gain US Dollar and liquidity challenges given that RBZ has no control over money supply were the negative effects of the MCR on the performance of the manufacturing sector. The study found out that there was a problem of limited credit lines given that RBZ did not perform the lender of last resort function.

The study also sought to establish some of the measures adopted in order to mitigate the negative effects of the MCR on the performance of the manufacturing sector. The research showed that the manufacturing companies were adopting coping mechanisms in order to mitigate the challenges posed by the MCR. Some companies introduced new products. However, it was established that both the policy makers and the manufacturers took not much action. One official interviewed remarked;

"A few companies attempted to ensure rationalisation of salaries and freezing of recruitment. However, the Labour Act makes it difficult for employers to fire employees and to reduce salaries".

The only notable policy action to protect local manufacturers from international competition was the SI 64 of 2016. However, the policy came late when damage had occurred.

Factors Contributing to the Trend in Capacity Utilisation: The study sought to establish the trend in the manufacturing sector's capacity utilisation between the years 2009 and 2016. Table 1 shows the trends on capacity utilisation.

Table 1: Capacity Utilisation between 2009 and 2016

Year	Ranges of Capacity Utilisation					Likert Mean	Kurtosis
	1. Less than 20%	2. 20-40%	3. 40-60%	4. 60-80%	5. 80-100%		
2009	45.4	23.4	14.9	11.3	2.8	2.10	0.895
2010	18.4	34.0	35.5	11.3	0.7	2.41	0.109
2011	9.2	29.8	34.8	26.2	0.0	2.78	-0.222
2012	5.7	32.6	41.8	19.9	0.0	2.76	-0.115
2013	7.8	36.9	28.4	24.8	2.1	2.77	0.120
2014	12.1	34.8	41.1	12.1	0.0	2.53	-0.100
2015	27.7	34.0	24.8	9.2	4.3	2.28	0.632
2016	26.2	36.2	17.7	17.0	2.0	2.34	0.512

Source: Field Data (2017)

According to Table 1, in the year 2009, a Likert mean of 2.10 means that generally, companies operated below 50% of their installed capacity due to macroeconomic conditions. With a platykurtic kurtosis value of 0.895, most of the responses were centered around the mean of 2.10 with a steep gradient. This, therefore, means that most companies were within the 20-40% range of capacity utilisation.

In addition, Table 1 shows that, in 2010, a Likert mean of 2.41 means that generally, companies operated below 50% of their installed capacity due to macroeconomic conditions. This is a 15% increase from the 2009 levels. With a kurtosis value of 0.109, most of the responses were centered around the mean of 2.41 with a fairly gentle gradient. This, therefore, means that most companies were within the 20-40% range of capacity utilisation.

In the year 2011, a Likert mean of 2.78 means that generally, companies operated above the 50% threshold due to improved macroeconomic conditions brought about by dollarization. The average was, however, a slight decrease from the 2010 levels. With a leptokurtic kurtosis value of -0.222, the responses were gently spread around the mean of 2.78. This, therefore, means that there was mixed performance due to differences in strategy formulation and implementation but most companies operated above 50% capacity.

According to Table 1, in 2012, a Likert mean of 2.76 means that generally, companies operated above the 50% threshold due to improving macroeconomic conditions brought about by dollarization. With a kurtosis value of -0.115, the responses were gently spread around the mean of 2.76. This, therefore, means that most companies operated above 50% capacity but with mixed performance.

In the year 2013, a Likert mean of 2.77 means that generally, companies operated above the 50% threshold due to improving macroeconomic conditions brought about by dollarization. With a kurtosis value of 0.120, the responses were gently spread around the mean of 2.77. This, therefore, means that most companies operated above 50% capacity but with mixed performance.

In the year 2014, a Likert mean of 2.53 means that generally, companies operated above the 50% threshold due to improved macroeconomic conditions brought about by dollarization. The average was however, a slight decrease from the 2013 levels. With a leptokurtic kurtosis value of -0.100, the responses were spread around the mean of 2.53. This, therefore, means that there was mixed performance due to differences in strategy formulation and implementation but most companies operated above 50% capacity.

In 2015, a Likert mean of 2.28 means that generally, companies operated below 50% of

their installed capacity due to macroeconomic conditions. With a platykurtic kurtosis value of 0.632, most of the responses were centered on the mean of 2.28 with a steep gradient. This, therefore, means that most companies were within the 20-40% range of capacity utilisation.

Finally, Table 1 shows that in 2016, a Likert mean of 2.34 means that generally, companies operated below 50% of their installed capacity due to macroeconomic conditions. This was a slight increase from the 2015 capacity utilisation level. With a kurtosis value of 0.512, most of the responses were centered on the mean of 2.34 with a gentle gradient. This, therefore, means that most companies were within the 20-40% range of capacity utilisation.

The level of capacity utilisation greatly increased between the years 2009 and 2011. However, there was a slow-down between the years 2012 and 2015 largely due to liquidity challenges which caused a decline for the year 2012. One of the officials interviewed said;

"Capacity utilisation was low in 2009 but picked up mainly due to confidence that the manufacturers had on the stable currency that was now in use. However, liquidity crises resulted in manufacturers failing to recapitalise. The depreciation of the South African Rand meant that locally manufactured goods became expensive. There was also an influx of imports, which stifled the manufacturing sector that was yet to fully recover. As a result, there was a decline in capacity utilisation".

Other participants corroborated the foregoing assertions. For instance, one official said;

"There was an increase in capacity utilisation soon after the introduction of the MCR. However, the appreciation of the US Dollar, which is our base currency, made it attractive to import finished goods. When we adopted the MCR, foreign companies, who already in a strong competitive position, provided cheaper goods while locals priced themselves out. The competition from imports resulted in low capacity utilisation. The enactment of SI 64 of 2016 was a long overdue process and local manufacturing has started to rebound".

The preceding findings show that the manufacturing sector faced stiff competition from imports and this affected their ability to increase production due to low demand. The adoption of multiple currencies in the aftermath of episodes of hyperinflation saw economic activity rebounding on the back of an improved business environment.

The study established that the high costs of locally produced goods resulted in a decline in export performance particularly on the back of a relatively high import bill, which has ignited debate on the impact of the appreciation of the US Dollar on the competitiveness of the country's products in both the domestic and export markets. The researcher notes that the high level of imports, especially from South Africa, resulted in the government of Zimbabwe enacting Statutory Instrument (SI) 64 of 2016, aimed at controlling the importation of commodities into Zimbabwe. All the officials interviewed pointed out that manufacturing sector capacity utilisation increased after the adoption of SI 64 of 2016.

In addition, the manufacturing sector was negatively affected by stoppages caused by shortage of electricity and water. One of the participants interviewed said;

"The electricity and water supplies, apart from being expensive, were not reliable. In 2015, there were serious electricity shortages, which forced us to cut on production because of the low power base. The quality of water was so poor that we had to buy mineral water as a way of safeguarding the quality of the products we produce"

Strategies for Improving Performance of Manufacturing Sector under Multi-Currency Regime: There is a myriad of strategies that manufacturing companies could adopt in order to improve their performance in the current environment of the MCR. These include increasing the volume of production so that fixed costs are spread over a wide base, buying

new and efficient machinery, new product development, and ensuring fair pricing of the products. The participants indicated that leadership is one of the most important micro-environmental factors in the successful implementation of strategies and improvement of the performance of the manufacturing sector. Leaders have an important role in strategy implementation as they provide direction to employees. In addition, leaders provide resources, facilitate communication, and motivate staff.

In addition, the participants were of the view that manufacturing companies need to invest in human resources through training. One official argued:

"Human resources are the most valued assets for any organisation; they are unique resources and can be sources of competitive advantage. Training would facilitate change of leadership styles from commanding to a blending situation, which is best. In addition, training is necessary in effective strategy implementation. Training is done on continuous basis in every well managed organisation. Every time the manager gets someone to change the work in the way he/she wants it done every time one gives direction or discuss a procedure, he/she would be training. The purpose of training is to improve employees' performance so that they become more competent and gain satisfaction in their jobs".

Further, the survey found out that there is low capacity utilisation. Capacity utilisation is being affected by inefficiencies of the existing machinery. Hence, the manufacturing sector must brace up for global competition through a myriad of strategies the most critical being the upgrading of obsolete machinery and purchasing of new equipment wherever necessary to be able to compete in terms of productivity, price and quality products on the market. Moreover, participants observed that there was need for manufacturers to invest in research and development (R&D). The modification of product design and manufacturing processes will ensure shorter production runs and fast changeovers thereby permitting flexible production scheduling which is currently lacking in most textile firms. Therefore, manufacturing flexibility requires investment in information technology, plant automation and logistics technologies. The study also found out that companies needed to invest in R&D and come up with new and unique products. One official agitated that:

"Investment in R&D also entails improvement of technology. Companies needed to invest in modern technology that facilitates reduction in production costs. Adoption of modern production systems enables the introduction of new production methods, which reduces processing time, reducing cost of production as well as quality of products. The individual firms must consider designing priority products and options, which can be produced relatively easy within quality and cost specifications".

It was also held that most firms in the manufacturing sector were not ISO 9001:2008 certified meaning that the quality management systems (QMS) were not up to international standard. The elements that are integral to ISO 9001:2008 product quality are leadership, employee involvement, process approach, customer focus, system approach to management, continual improvement, factual approach to decision making and mutually beneficial supplier relationships. Accordingly, one of the interviewees said:

"The manufacturing sector must adopt a low cost producer strategy by focusing on improving its process technology, product quality, supply chain efficiencies, training of employees, and everything that affects final product cost. On the other hand, the price of local products, for example, has become a barrier to their competitiveness. As such, the industry should be sensitive to this issue without being pushed into a stampede of forsaking quality in favour of cheap products. Therefore, the industry needs to strike a balance between quality and price, something that can be

achieved by investing in modern low cost production technologies. The sector must strive to promote innovation, entrepreneurship, access to markets, affordability, and quality of products. A long-term product quality strategy must be adopted by local manufacturing companies through the ISO 9001:2008 certification by Standards Association of Zimbabwe (SAZ). By adopting the product quality standard, firms will ensure that quality is designed and built into the company's products and production processes".

The survey results also indicated some inefficiency in supply chain management and high costs associated with raw material supply. Manufacturing strategy of competing on cost require firms to locate in countries with low cost inputs or source raw materials and machine spares from the world's most efficient suppliers. One official was of the view that:

"The Zimbabwean government must consider the scope of drafting a Master Plan which seeks to provide structural framework for development, management and monitoring of the manufacturing sector. The objective of the Master Plan must be to provide a long-term development framework with emphasis on planning, product development as well as marketing of the sector globally. Such a policy master plan would form part of the country's overall economic development, and the resulting feedback would eventually lead to policy changes to accommodate various stakeholder concerns in order to increase production levels in the sector."

Conclusion and Recommendations

Conclusion: This study found out that the use of the MCR in the Zimbabwean economy resulted in the loss of control over monetary policy and the 'market' had since dictated and adopted the US Dollar as the main currency of reference and trade, which in itself, has since presented more problems to the economy. The use of the US Dollar as the base currency indirectly encourages capital outflow. There were both positive and negative effects of the MCR on the performance of the manufacturing sector. The positive effects included the fact that there are stable inflation levels that makes planning easy. The negative effects were the high cost of local production due to appreciation of the US Dollar, the influx of cheap imports, and limited credit lines given that RBZ did not perform the lender of last resort function. Capacity utilisation levels in the manufacturing sector greatly increased in 2009, from about 10% to 40%. A stable macro-economic environment was largely responsible for the increase, especially decrease in inflation and interest rates. However, from the year 2011 there was a decline in the level of capacity utilisation as liquidity crises became the order of the day. Costs of production remained very high and this made local production expensive. Zimbabwe became a net importer of finished goods as manufacturers in other countries wanted to 'siphon' the US Dollar. Therefore, largely, the MCR had negative effects on the manufacturing sector, a situation that resulted in the government of Zimbabwe enacting SI 64 of 2016, which ended uncontrolled importation of goods. The study showed that a number of changes were necessary in manufacturing companies, which include change of management and having new ideas, investment in human resources through training, and acquisition of new machinery.

Recommendations: Based on the findings of the study, the following recommendations are proffered:

Recommendations on the Problems Associated with use of MCR in an Economy: The research showed that there are a number of problems associated with the use of the MCR in the Zimbabwean economy. Accordingly, there is need for the reintroduction of the Zimbabwean local currency. The conditions and environment for the functioning of a strong local currency, whatever they are, need to the established.

Recommendations on the Effects of the MCR on the Performance of the Manufacturing Sector: The study established that there is stiff

competition from cheap imports. Therefore, barriers to entry of foreign goods are essential. In addition, to survive these challenges and to benefit from the opportunities that come along with globalisation, Zimbabwean manufacturing companies need to become internationally competitive through improving operational efficiency and management practices.

Recommendations on the Trend in Level of Capacity Utilisation: The study established that the manufacturing sector's capacity utilisation increased soon after adoption of the MCR. However, there was a decline from the year 2011 as manufacturers faced competition. In this regard, there is need for Zimbabweans to support local industry and import machinery and raw materials instead of finished goods that may be produced locally. There is need for more policy pronouncements in the form of SI 64 so that local production can be stimulated.

Recommendations on the Options for Improving Performance in the Manufacturing Sector: There was need for companies to train employees as this would improve their skills and facilitate participation. Manufacturing companies needed to invest in R&D and come up with new, unique products. Companies needed to improve technology and reduce production costs. There was a need for change of management and organisational restructuring. There was a need for a wide distribution network to reach as many customers as possible.

General Recommendations: Zimbabwe is going backward as far as industrialisation is concerned. Capacity utilisation continues to fall as companies are grappling with high cost of production. The government needs to implement policies that attract foreign direct investment (FDI) and support industrial growth and development. Such polices include revision of the Labour Act, which seem to be in favour of employees.

Suggestions for Further Research: Zimbabwe's use of the multi-currency regime has brought both positive and negative effects. The positive effects, especially economic stabilisation, outweigh the negatives and the monetary authorities are not in a hurry to reintroduce the local currency. However, the country cannot continue using the multi-currency regime and at one point in time, Zimbabwe will have to revert to the Zimbabwean Dollar. The reintroduction of a domestic currency should be the long-term objective for the country. Therefore, there is a need for further research on the preconditions for the reintroduction of the Zimbabwean Dollar.

References:

1. Adam, C. and Cobham, D. (2007). 'Exchange Rate Regimes and Trade', *The Manchester School Journal*, vol.75, no.1,pp.44-63.
2. African Development Bank (2014). *African Economic Outlook: Zimbabwe*, www.africaneconomicoutlook.org [Accessed 2 December 2016].
3. Aye, G., Gupta, R., and Moyo, P. (2014). 'Testing the Impact of Exchange Rate Uncertainty on Exports in South Africa', *Journal of International Commerce, Economics and Policy*, vol.6, no.1, pp.35-51.
4. Bartlett, C.A. and Ghoshal, S. (2011). 'Building Competitive Advantage through People', *MIT Sloan Management Review*, vol.84, no.2, pp.34-45.
5. Berkmen, P. and Cavallo, E. (2010). 'Exchange Rate Policy and Liability Dollarization: What does the Data Reveal about Causality?' *Review of International Economics*, vol.18, no.5, pp.781-795.
6. Bhalla, S. S. (2008). 'Economic Development and the Role of Currency Undervaluation', *Cato Journal*, vol. 28, no.2, pp.313-340.
7. Buigut, S. (2015). 'The Effect of Zimbabwe's Multi-Currency Arrangement on Bilateral Trade: Myth Versus Reality',

*International Journal of Economics and Financial Issues,*vol.5, no.3, pp.690-700.
8. Caliskan, E. N. (2010). 'The Impact of Strategic Human Resource Management on Organisational Performance,' *Journal of Naval Science and Engineering,* vol.6, no.2, pp.100-116.
9. Confederation of Zimbabwe Industries (2009-2016). *Manufacturing Sector Survey Reports, 2009, 2010, 2011, 2012, 2013, 2014, 2015, and 2016,* Harare.
10. Creswell, J.W. (2014). *Research Design, Quantitative, Qualitative, and Mixed Methods Approaches,* Fourth Edition, Sage, Thousand Oaks, California.
11. Day, D.V. and Antonakis, J. (2012). *The Nature of Leadership,* Thousand Oaks, California, Sage. Grant, R.M. (2008). *Contemporary Strategy Analysis,* Sixth Edition, Oxford, Blackwell Publishing.
12. Isaksson, A. (2007). *Determinants of Total Factor Productivity: A Literature Review,* Vienna.
13. Jared, L., Bleak, F. and Fumer, R. M. (2009). *Strategically Developing Strategic Leaders,* San Francisco, Pfeiffer.
14. Jefferis, K., Chigumira, G. and Chipumho, E. (2013). *A Review of Zimbabwe's Optimum Future Currency Regime,* Harare, Zimbabwe Economic Policy Analysis and Research Unit.
15. Jerome, A. (2008). 'Privatisation and Enterprise Performance in Nigeria: Case Study of Some Privatised Enterprises,' *African Economic Research Consortium, and Research Paper,* vol.175, no.2, pp.121-150.
16. Johnson, P. and Scholes, T. (2010). *Strategic Management,* Fifth Edition, London, Pearson Publishers.
17. Kairiza, T. (2012). *Unbundling Zimbabwe's Journey to Hyperinflation and Official Dollarization,* Tokyo, Discussion Paper 09-12, National Graduate Institute for Policy Studies (GRIPS).
18. Kararach, G., Kadenge, P. and Guvheya, G. (2010). *Currency Reforms in Zimbabwe: An Analysis of Possible Currency Regimes,* Harare, African Capacity Building Foundation.
19. Kennerley, M., and Neely, A. (2013). 'Measuring Performance in a Changing Business Environment,' *International Journal of Operations and Production Management,* vol.23, no.2, pp.213- 229.
20. Kokenyne, A., Ley, J. and Veryune, R. (2010). *Dedollarization,* Washington D.C., IMF Working Paper 10/188, International Monetary Fund.
21. Mecagni, M., Corrales, J.S.,Dridi, J., Garcia-Verdu, R., Imam, P., Matz, J., Macario, C.,Maino, R., Mu, Y., Moheeput, A., Narita, F.,Pani, M., Rosales, M., Weber, S. and Yehoue, E. (2015), *Dollarization in Sub-Saharan Africa: Experience and Lessons,* Washington D.C., International Monetary Fund.
22. Men, L. R. (2010). *Measuring the Impact of Leadership Style and Employee Empowerment on Perceived Organisational Reputation,* Miami, University of Miami, School of Communication.
23. Neanidis, K. C. and Savva, C. S. (2009). 'Financial Dollarization: Short-Run Determinants in Transition Economies,' *Journal of Banking and Finance,* vol.33, no.10, pp.1860-1873.
24. Nyarota, S. (2015). *Assessing the Impact of the Real Effective Exchange Rate on Competitiveness in Zimbabwe,* Harare, Economic Research Department, Reserve Bank of Zimbabwe Working Paper Series No 1.
25. Nyoni, E. (2012). *Restructuring Procedures Manual,* Harare, Printflow.
26. Olalekan, Y. (2009). *Macroeconomic Fluctuations and Deposit Dollarization in Sub-Saharan Africa: Evidence from Panel Data,* MPRA Paper 16259, Munich, Munich Personal REPEC Archive.
27. Otley, D. (2012). 'Performance Management: A Framework for Management Control Systems Research,' *Management*

Accounting Research, vol.10, no.2, pp.363-382.

28. Peterson, D. (2012). *Knowledge Retention Strategies in Selected Southern African Public Broadcasting Corporations,* Doctoral Thesis, University of Fort Hare.
29. Radon, J. (2004). *Strategy and Competitive Environment,* Fourth Edition, New York, Wiley.
30. Sabanci, O. (2005). Meeting the Challenge of Global Competition,'*International Fibre Journal,* Vol 20, Issue No. 6, pp.4-6.
31. Shephard, P. (2016). *The Leadership Brain: How Neuro Science Culture, Gender and Personality Shape Leadership Behaviour,* New Delhi, Brainworks Media.
32. Sigauke, S. (2015). *An Analysis on the Effects of Multicurrency System to the Economy of Zimbabwe: A Case of Marange,* Gweru, Politics and Public Management Department, Midlands State University.
33. Tenreyro, S. (2001). *On the Causes and Consequences of Currency Unions,* New York, Harvard University Press.
34. Tyavambiza, T. and Nyangara, D. (2015). 'Financial and Monetary Reforms and the Finance-Growth Relationship in Zimbabwe,' *International Journal of Economics and Financial Issues*, vol.5, no.2, pp.590-602.
35. Wangwe, S. Mmari, D. and Aikaeli, J. (2014). *The Performance of the Manufacturing Sector in Tanzania: Challenges and the Way Forward*, Hlesinki, Finland, World Institute for Development Economics Research, Working Paper 2014/085.
36. Zimbabwe Statistical Agency (2014). *Manufacturing and Trade Statistics*, www.zimstat.co.zw [Accessed 18 March 2016].