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CASE STUDY{PRIVATE }**

**BUSINESS LINKAGES in ZIMBABWE:
The Manicaland Business Linkages Project**

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Terms and Acronyms

TERMS

Business Linkages	Ongoing commercial relationships between separate profit-oriented enterprises.
Buyer mentoring	See “Mentoring”.
Capacity Audit	Assessing an enterprise to determine its capacity to perform as a supplier in a linkage relationship.
Core Business	The principle commercial activity of an enterprise.
Feasibility Study	An analysis of an enterprise’s potential to supply a product or service profitably, given expected resources, technologies, efficiency levels, costs and prices.
Mentoring	A relationship in which a person, business or organisation provides on-going advice or support to another. In <i>buyer mentoring</i> , an enterprise buying goods or services assists the supplier, to help ensure that the supplier will be able to fulfil the expectations of the linkages agreement. Buyer mentoring is <i>bilateral relationship</i> , only the buyer and the supplier are involved, there is no third party.
Open House	A planned visit by a group of potential suppliers to a buyer enterprise to identify and discuss business linkage opportunities.
Project Holder	The institutional entity with legal responsibility for a project.
Silviculture	The cultivation of woods or forests; the growing and tending of trees.
Sub-Contracting	An arrangement whereby one enterprise enters into a formal agreement with a separate independent enterprise to supply a product or service, according to an agreed price, quality, quantity and delivery schedule.
Sustainability	◆ <i>of Impact</i> : Ongoing positive effects that continue after the termination of externally supplied services ◆ <i>of Operation</i> : The ability of an activity to cover its costs through fees or the sale of goods or services, enabling it to stand on its own without external subsidy.
Unbundling	A process whereby an enterprise ceases producing a product or service itself, replacing in-house production with external sourcing.
Win-Win Situation	An arrangement between two or more enterprises that brings commercial benefit to all.

ACRONYMS

CZI	Confederation of Zimbabwe Industries
GoZ	Government of Zimbabwe
MBLP	Manicaland Business Linkages Project
NORAD	Norwegian Agency for Development Co-operation
SME	Small and Medium Enterprise (enterprises with less than 50 employees)
T/A	Trading as

{PRIVATE }ABSTRACT

Business linkages are ongoing commercial dealings between separate profit-oriented enterprises. Good business linkages result in specialisation, diversification, improved efficiency and wide benefit dispersion. There are three building blocks of business linkages: information, capacity building and capital.

This paper describes an action research project in Eastern Zimbabwe, the Manicaland Business Linkages Project (MBLP), that uses an approach to enterprise development based on business linkages to respond to the realities of globalisation while helping redress historic social and economic imbalances. The MBLP has two principal objectives: an impact objective (to help create an expanding and more equitable array of viable small enterprises); and a learning objective (to develop a sustainable approach that can be replicated elsewhere). The operational focus of the MBLP is on 1) generating current credible market information that pinpoints specific linkage opportunities; 2) encouraging cost-effective capacity building based upon "buyer mentoring"; and 3) help with "access to credit", rather than direct involvement in the provision of credit or finance. The MBLP is "minimalist" in concept and practice.

The MBLP was markedly successful during its initial pilot phase of two-and-a-half years, having catalysed 139 viable business linkages, in part due to the strength of the local forestry sector. In 1998, however, there was a sharp downturn in both the Zimbabwe economy and in the forestry sector's traditional export markets in Asia. The years ahead will be a useful test of the effectiveness and sustainability of the approach to business linkages promotion being pioneered in Zimbabwe.

I. BACKGROUND

A. Business Linkages

Business linkages are commercial dealings between separate profit-oriented enterprises (Grierson and Mead, May 1995). Successful market economies are characterised by an extensive array of linkages among businesses of all sizes and types. Business linkages are the positive result of market forces compelling businesses to seek the most efficient means of sourcing the components and services that make up their products and services. Good business linkages result in specialisation, diversification, efficiency, and wide benefit dispersion (Grierson and Mead, May 1995), as well as access to higher value-added opportunities in both domestic and foreign markets (Nadvi, 1998).

B. Zimbabwe's Changing Economic Structure

Until quite recently the Zimbabwe economy was characterised by strong market incentives for vertical integration in an inefficient "dualistic" economy, one typified by shortages of products, services and production inputs. In recent years steadily increasing imports have put competitive pressures on large producers while the liberalisation of import and domestic trade regulations have opened up many new opportunities for small enterprises (Daniels, 1994). These forces have generated both pressures and opportunities for large and small enterprises to interact efficiently with one another. Such interactions - characterised as "business linkages" when they involve multiple transactions within an established relationship - enhance overall economic efficiency while

encouraging smaller enterprises run by indigenous entrepreneurs to participate in the dynamic sectors of the economy (Grierson, Mead and Moyo, Aug 1997).

C. The Manicaland Business Linkages Project (MBLP)

In support of this pattern of economic restructuring the Ministry of Industry & Commerce and the Confederation of Zimbabwe Industries (CZI), with bilateral assistance provided by the Government of Norway, initiated a number of SME development activities (Grierson and Moyo, July 1993) including a number of business linkages projects (CZI 25 Jan 1996; CZI 1 Feb 1998). The first of these, the Manicaland Business Linkages Project (MBLP), was formulated with two principal objectives in mind¹:

- **the impact objective:** to contribute to the diversified development of the Manicaland economy; and
- **the learning objective:** to develop and demonstrate effective and sustainable approaches to encouraging business linkages that can be replicated in Zimbabwe and elsewhere.

The project is continuously monitored: regularly through a series of scheduled project visits (e.g. Grierson and Mead, Feb 1997 *et al*), and periodically through project monitoring workshops and external evaluations (e.g. Zimconsult, May, 1998). Impact and learning are assessed in terms of a number of criteria. During the initial pilot phase the principal criteria was “effectiveness” - i.e. answering the question: Do linkages work in Manicaland? It has been amply demonstrated that they do (Grierson and Mead, Feb 1997 *et al*; Zimconsult, May 1997). As a result, the principal assessment criterion in the current phase (1998 - 2000) is “sustainability”. Sustainability is understood to have two mutually reinforcing aspects:

- **sustainability of impact:** i.e. viable ongoing linkages which contribute to greater economic efficiency and enhanced social equity², and
- **sustainability of operations:** i.e. the steady evolution of local “standard practice” that can be supported and maintained with local resources, whether through a formal institution or through broad-based adoption by the business community.

This paper will describe the components parts of the MBLP, summarise the evidence concerning outcomes and impact, review some of the lessons learned and consider prospects for institutional and operational sustainability.

II. THE COMPONENTS OF THE DESIGN

¹ The MBLP is guided by two principal documents: 1) CZI, "Business Linkages in Manicaland: Project Proposal", 25 January 1996 (the Phase I project document); and 2) CZI, "Business Linkages in Manicaland: Project Continuation Proposal", 1 Nov 1997 (the Phase II project document).

² Understood to mean increased participation of African and in particular women entrepreneurs in the dynamic sectors of the economy.

There are three building blocks of business linkages:

- **information,**
- **capacity-building,** and
- **capital.**

While each may be needed to establish a successful linkage, in general, a single organisation should not attempt to supply all three (DCSED, Jan 1998; Mead, June 1998). The MBLP concentrates on information and capacity building.

Information is needed about potential linkage partners. Buyers need to know who are the potential suppliers of goods or services. Suppliers need to know who might buy the goods and services they are ready to offer. Providing this information cost-effectively presents an array of challenges. The fundamental challenge is that information is expensive to collect and collate and once gathered is quickly out of date. The MBLP responds to this challenge by concentrating on identifying and responding only to current credible market demand. Relatively little emphasis is given to “data bases” or other attempts to compile a “supply” of information.

Capacity building is often needed to ensure that suppliers can meet their obligations in terms of quantity, quality, timeliness of delivery and price (Grierson and Mead, May 1995). Buyers know best the specifications and scheduling of the products they require. It is largely due to this simple truth that “buyer mentoring” is the most efficient, effective - and sustainable - form of supplier capacity building. Buyer mentoring only occurs when buyers view their relationship with their suppliers as a partnership.

Capital is a crucial building block, and one in chronic short supply. The MBLP addresses the intractable problem of capital forthrightly but indirectly. The MBLP does not attempt to be a finance institution though the project does help “facilitate access to credit”³. In doing so the MBLP seeks to clarify and minimise the capital requirement on the one hand and help facilitate access to credit on the other. Efforts to enhance access to credit are usually within the context of a specific linkage opportunity (Grierson and Mead, Feb 1997 *et al*).

In pursuit of these “building blocks” the MBLP has three areas of operational emphasis:

- **identification of linkage opportunities,**
- **business linkages promotion,** and
- **supplier capacity building.**

Each of these is discussed further below.

³ It is worth noting that the current Project Manager is an enterprise finance specialist.

A. Identification of Linkage Opportunities

Opportunity identification involves helping both buyers and suppliers identify mutually profitable opportunities, and, when asked to do so, helping broker viable linkages arrangements. The project offers three types of opportunity identification assistance:

Buyer Open Houses. Open Houses give small groups of potential suppliers a chance to visit buyers who are seeking linkage partners. Potential suppliers observe the production process, inspect samples, or attend presentations, all with a view to identifying linkage opportunities and initiating business linkage negotiations. Buyers usually initiate *Buyer Open Houses*. Project assisted follow-up might include *supplier capacity audits* or *feasibility studies* (discussed below).

Supplier Capacity Audits. Supplier Capacity Audits assess the ability of an enterprise to supply specific goods or services, by identifying strengths and weaknesses in terms of products, production processes, financial capacity, management capacity and technical skills. *Supplier capacity audits* often serve to identify a specific need for supplier capacity building.

Feasibility Studies. Feasibility studies examine the merits of specific linkage proposals and outline the conditions under which it would be profitable for a supplier to enter into a linkages arrangement. A *feasibility study* might include or lead to a *supplier capacity audit*.

Linkages Identification Workshops, for buyers and suppliers, usually with a sub-sector focus.

B. Business Linkages Promotion

Business Linkages Promotion involves presenting the business linkage concept to Manicaland's business community. Many progressive buyers and suppliers are already engaged in business linkages. The MBLP publicises their success stories and explains the techniques and approaches that have led to successful linkages. Promotion also involves explaining how to take advantage of the project's services.

Promotional activities include:

- **Media Campaigns,** including Brochures and Leaflets, and
- the **MBLP Newsletter.**

Most aspects of promotional work are sub-contracted to specialist providers.

C. Supplier Capacity Building

Supplier capacity building is intended to strengthen individual enterprises in identified areas so that they can perform as reliable partners in specific linkage contracts. Capacity building assistance is almost always tied to specific linkage opportunities.

In general, capacity building assistance is not done by the MBLP itself. The buyers - through “buyer mentoring” – can most efficiently provide capacity building assistance. Hence, the project places both promotional and operational emphasis on developing a local culture of buyer mentoring. In cases where direct project intervention is justified the MBLP will either facilitate access to assistance provided by others, or, if needed, “buy-in” training or support services from local specialist consultants or institutions. A modest budget is provided for “buy-in” services. Buy-in services usually involve either specific training (for individuals or groups) or specialist problem solving (e.g. short-term provision of specialist technical, managerial, financial or marketing assistance).

The MBLP is encouraged to use the “buy-in” budget to leverage contributions from others, particularly the buyers and suppliers who stand to benefit from the services provided. The MBLP helps facilitate access to assistance in the following areas: credit, other financial services (e.g. leasing), training, and specialist problem solving.

III. IMPLEMENTATION

A. Implementation “Principles”

- The MBLP seeks “**win - win**” **relationships** - both buyer and seller must profit.
- The MBLP emphasises “**buyer mentoring**” as the most effective and sustainable approach developing supplier capacity.
- The MBLP is **minimalist** in practice, providing only the minimum necessary assistance to each client, while striving to serve as many clients as possible.
- The MBLP is strongly **local** - it uses Manicaland resources in the first instance, Zimbabwean resources whenever possible, and external resources only when necessary.

B. Designing for Sustainability

The MBLP is an innovative attempt to introduce new and unfamiliar techniques into Zimbabwe. The concept of sustainability embedded in the design is based on the notion that new techniques if effective will gradually become standard business practice in Manicaland and beyond. When business linkages become standard practice the costs of generating them (i.e. “information”) and sustaining them (i.e. “capacity building” and “buyer mentoring”) are largely borne by the buyers and suppliers themselves. This is particularly the case when the techniques used are pointedly demand-led, limited in scope and scale and in direct response to specific linkage opportunities.

Sustainability is understood to include both *sustainability of impact* (i.e. viable ongoing linkages) and *sustainability of operations* (i.e. useful local capacity that can be largely maintained with local resources). The MBLP’s quest for sustainability has three pragmatic thrusts:

- **impact** - if business linkages work the practice of business linkages will soon become a normal aspect of Zimbabwe’s business culture,
- **cost sharing** - as business linkages become standard practice the costs involved are increasingly borne by the direct beneficiaries, the buyers and suppliers, and
- **minimalism** - external interventions (including the MBLP itself) are carefully limited; the design seeks to hold down costs by stimulating normal economic processes rather than by attempting to substitute for them.

C. Sub-sector Orientation

The sub-sectors identified at the outset were (in order of priority): forestry/timber, horticulture, tourism, and furniture manufacture. Forestry related industries represent up to 70% of the Manicaland economy and account for the bulk of readily available linkage opportunities. The forestry sector lends itself well to business linkages.

D. Project Administration

Project Holder. CZI is the “project holder”. Final responsibility for operational oversight, for asset ownership and for reporting and accounting rests with the Confederation of Zimbabwe Industries.

Project Management. The project is based in Manicaland and managed by a full-time Project Manager (supported only by a secretary) who reports to the President of the Manicaland Chamber of Industries (one of four regional chambers of CZI). A local project management committee, largely drawn from the local business community, serves as the project’s principal day-to-day oversight authority.

F. Project Activities (31 Aug 1998)

{PRIVATE }INFORMATION RELATED		CAPACITY and CAPITAL RELATED		
		Activity	No.	Comments
{PRIVATE }Business Linkages Promotion Workshops	22	Consultancy Services (e.g.. “Buy-ins” and Capacity Audits)	18	Of which 13 were help with formulating loan proposals
Buyer open Houses	27			
Media Campaigns	2	Encouraging Buyer Mentoring	applies in all cases	Which in many cases served to pinpoint, reduce, supply “in-kind” or otherwise “facilitate access to” credit
Newsletter (Quarterly)	on-going			

F. Principal Outputs in Relation to Targets (Pilot Phase: 5/96 – 4/98)

OUTPUT MEASURE	PLANNED	ACTUAL	VARIANCE (target + or -)
LINKAGES CATALYSED	50	110	+ 120%
COST/LINKAGE (Zimbabwe \$)	Z\$ 39,600 (USD 4,000)	Z\$ 13,600 (USD 1,360)	- 66%
EMPLOYMENT GENERATION	n.a.	1,000 est.	n.a.
COST/JOB	n,a,	USD 150 est.	n.a.

Notes:

- FOREX: USD1 = Zim\$10 The Zim\$ traded close to 10:1 throughout most of the pilot phase of the MBLP. The Zim\$ currently trades at 43:1, following a recent rapid decline. An exchange rate of 10:1 is deemed a realistic reflection of real direct costs in both Z\$ and USD terms at the time they were incurred.
- The MBLP had no specified employment generation target. The employment figures shown are indicative only; they are derived from interviews and client records, adjusted to reflect both new jobs and estimated job contraction as a result of linkage formation.

IV. EVIDENCE FROM THE FIELD: ARE LINKAGES WORKING?

A. Evidence of Impact: New Business Linkages

LINKAGES IN PLACE

31 August 1998

Number of Linkages in Place x Supplier Sector and Buyer Sector

{PRIVATE }Buyer Sector <i>Supplier Sector</i>	Timber & Wood Products	Construction	Public Sector Entities	Others Buyers	Total, all buying sectors
<i>Timber harvesting</i>	40	-	1	-	41
<i>Silviculture</i>	20	-	-	-	20
<i>Wood Supply</i>	10	-	1	-	11
<i>Construction</i>	3	8	-	-	11
<i>Transport</i>	8	5	-	1	14
<i>Protective clothing</i>	3	1	-	5	9
<i>Cleaning and waste removal</i>	3	-	-	1	4
<i>Canteens and catering</i>	1	1	-	-	2
<i>Farm Produce</i>				10	10
<i>Other Products & Services</i>	6	4	1	6	17
<i>Total, all supplying sectors</i>	94	19	3	23	139

Source:

Grierson and Mead (10 Oct 1998) "Business Linkages in Manicaland": Visit Report No. 4, reflecting a review of project documents, field visits, and interviews with buyers, suppliers, trade association representatives, members of the Project Management Committee and local government officials.

B. A Comment on Sectoral Breakdown

The sectoral breakdown of buyers and suppliers is quite different. Of the 139 linkages formed as of 31 August 1998, 67% (94 of 139) were instances where the buyer was one of only a few large local timber and wood products companies. This is consistent with the original expectation. However, contrary to initial expectations, the second most important sector of activity has proven to be construction. The other sectors that were expected to play an important role - horticulture, tourism, and furniture manufacture - have to date played only a limited role. Overall, when measured according to *buyer*, the project's focus sectors are different and less diverse than originally projected. In contrast, sector activity when measured by *supplier sector* is both more eclectic and more diverse than originally anticipated.

C. Evidence of Impact: The Human Dimension - Linkages in Practice

The following mini-case studies are extracted from periodic project "visit reports" (Grierson and Mead, Feb 1997 *et al*). They are included here to give a human face to the numbers set out above. The vignettes that follow include both forestry related activities, to emphasise the MBLP's principal economic sub-sector, and linkages in other sub-sectors, to highlight the flexibility of the linkages approach. The MBLP actively supported the formation of all of the business linkages reported below.

{PRIVATE }Timber Harvesting

James Madzikatire. With the support of the MBLP Mr. Madzikatire negotiated a five-year harvesting contract with Charter Estate, a subsidiary of Border Timbers Limited (an Anglo American company). In addition to the longer planning and investment horizon that this arrangement makes possible, the long-term contract may make it possible for him to gain access to capital from a financial institution. The MBLP has helped him prepare a loan application to fund the purchase of a new tractor.

Mrs. Munhundiripo and Mrs. Kaneta, each of whom has her own timber harvesting business. Neither had previously worked in the timber industry. One business now has 41 employees including 11 women, the other 35 of whom none are women. Each of them uses oxen. Neither owns a tractor. The project helped both obtain contracts with Charter Estate, a large local buyer. Among the points worth noting:

- entrepreneurial women can get started in timber harvesting with very little capital, even if they have no prior experience,
- though they are earning a living - and making more than they did before they started timber harvesting - both plan to do even better,
- Both want to buy tractors. The relative profitability of oxen vs. tractors, and the capital and management requirements of each, are questions that the project might usefully help them explore. The answers to these questions will help others also.

{PRIVATE }Timber Product Waste Management

Mr. and Mrs. Gerald Matika of Pointer Engineering, T/A Moto Industries. Moto Industries is engaged in waste removal, waste site management, and waste recycling. Their waste management services includes collection and transfer of waste to Moto's industrial site, and sorting to identify products that can be salvaged and sold, particularly scraps of wood for recycling or burning. Salvage is, however, only a minor part of their business, the bulk of which involves transporting sawdust to use as landfill to reclaim severely eroded land. The landfill sites are managed by Moto industries. The MBLP helped them to regularise their business by converting an ad hoc waste transport arrangement into a two-year contract with Zimboard.

{PRIVATE }Commercial Catering.

OLK Enterprises provides in-house catering services to **Paulington Timber Factory**. The Paulington Factory, as part of a larger process of outsourcing, is helping the workers in their staff canteen "unbundle" the canteen as a separate enterprise. The unbundling process is effectively a voluntary "assisted worker buyout". OLK Enterprises, the former workers' new catering business, now supplies canteen services to Paulington. Paulington pays OLK a fixed amount for each meal served. The MBLP worked with both parties to help them agree on the transfer process, specify quality standards and determine operating procedures. In addition, the MBLP "bought in" the services of a local consultant, **Mr. Sithole T/A Seven Sisters**, to advise and train the new owners in commercial and institutional food service operations.

Mr. Sithole, T/A Seven Sisters, is a caterer and butcher – and occasional food service consultant. Mr Sithole, a classic entrepreneur, is a self-taught caterer in addition to being a trained cobbler as well as an agricultural economist. When Skanska (a Swedish contractor working on a local water project) informed the MBLP that they intended to subcontract catering services at their work sites the MBLP responded offering several candidates. Skanska selected Seven Sisters. **Seven Sisters** now provides meals to Skanska's workers and management, five days a week in three locations.

{PRIVATE }Commercial Cleaning.

Mr. S. C. Mdokwani, T/A Industrial Housewife. Industrial Housewife provides office-cleaning services to commercial buildings including banks and the management offices of large companies. Mr. Mdokwani has a staff of 36, one industrial carpet cleaner and nine industrial floor polishers. Industrial Housewife currently has 11 contracts, several of which were obtained through the good offices of the project. Mr. Mdokwani has a number of operational problems including equipment breakdowns and cash flow difficulties related to inflation and increases in the mandated minimum wage. The project is helping him address these problems. He hopes to expand his services to include medical waste management and municipal solid waste management.

D. Evidence of Impact: Patterns of Change and Development

Existing Linkages are Surviving. Existing linkages are under increasing stress as Zimbabwe's economy takes a severe downturn. Markets are contracting and input prices are increasing. High inflation means that the real value of nominal stocks of working capital are declining, while interest rates for bank loans are steadily rising. Enterprises with weak management skills or low market power run the risk of having their profits squeezed through more stringent terms with their commercial partners. Yet in spite of these pressures, there have been as yet no reports of either smaller partners being forced out of business, or of larger buyers abandoning business linkages and again taking on non-core functions themselves. For the present it appears that business linkages continue to be seen as a relatively efficient way of dealing with a difficult economic situation.

Supplier Growth. Among suppliers, there has been vigorous growth in both numbers and scale. If there is a broad generalisation that can be made it is that most businesses are doing satisfactorily, with some doing very well. There has been only one (supplier) closure among the 139 linkages generated to date. In general, the suppliers are better entrepreneurs than managers - a common problem of enterprise development. Still, most suppliers are facing and managing their business problems, though running hard to keep pace with their aspirations in a deteriorating economic climate. They are struggling to find both fixed and working capital. Many express the need for targeted training, to enable them better to control and manage their businesses.

Evidence of Employment Creation. The evidence from field interviews (Grierson and Mead, Feb 1997 *et al*) suggests that many new jobs have been created in Manicaland, primarily because the forestry sector was expanding. The contribution of linkages is that they helped make this expansion efficient, which in turn stimulated further overall expansion. Business linkages can result in a decrease in employment, unless employment contraction from outsourcing is offset by employment expansion elsewhere (Zimconsult, May 1997). There is insufficient evidence to ascertain the net employment effects from new linkage activities stimulated by the MBLP. However, the available evidence does show strong employment growth in project assisted businesses and suggests overall net growth in employment due to sector growth. In terms of job quality in new supplier enterprises, field interviews and observations provide no evidence that outsourcing has resulted in the deterioration of overall working conditions.

E. Evidence of Impact: Sustainability

The over-riding objective of the MBLP is to help embed business practices that contribute to sustained improvements in both economic productivity and social equity. When business linkages become - as is starting to happen - part of Zimbabwe's business culture there will be sustained and growing impact irrespective of whether or not there is a "sustained" linkages promotion project or institution. The MBLP is designed with this long-term objective in mind, even while striving for operational

sustainability along the way - principally through cost sharing. Evidence of progress towards evolving a locally sustainable approach to business linkages includes:

Ongoing Linkages: Based on the sample of enterprises interviewed to date, it appears that most of the linkage arrangements established through the good offices of the project are surviving and many thriving (Grierson and Mead, Feb 1997 *et al*). At this point, it is not clear whether this small sample is broadly representative (Zimconsult, May 1997). The evidence of business linkages helping expand economic activity should not be overestimated and the tendency of a dynamic forestry sector to be the "rising tide that lifts all boats" should not be discounted.

A Growing Linkages Culture: There is evidence of widespread acceptance of business linkages as a profitable and efficient way of doing business. There is no longer any need to promote the linkage concept among many of the major businesses in Manicaland. It is now accepted policy, mandated at the highest company levels. Increasingly, the issue is not whether to move forward with business linkages, but how to do so as rapidly and efficiently as possible (Grierson and Mead, Feb 1997 *et al*).

Buyer Mentoring: One of the clearest indicators of the acceptance of linkages is the degree to which the buyers recognise that it is in their interest to help make linkages work - even when this requires mentoring. It is now widely acknowledged that no one gains when a business linkage fails. In more and more cases the buyers offer advice, "credit in kind" and training to their suppliers. This mentoring is done to help ensure that the suppliers complete their work in a timely and efficient manner. Buyer mentoring in the form of training is usually precisely targeted on a specific current need, a recognised characteristic of successful and cost-effective training.

V. Balancing Factors: Keeping Business Linkages in Perspective

Failure is normal part of business. It is an accepted feature of business that not every commercial undertaking is successful. A degree of failure is normal and should be recognised as such. Nonetheless, it is necessary to identify and understand failures, and to constantly modify design and practice with a view to keeping failures to a reasonable minimum. Assessment of apparent failures in forming linkages suggests three principal causes: 1) inadequate information and poor communications among partners; 2) slow decision-making on the part of the buyer; and 3) limited specialisation (capacity) on the part of suppliers (Grierson and Mead, Feb 1997 *et al*).

Business linkages help established businesses do better. Those businesses most capable of significant growth are often the ones that have been in existence for some time. Established enterprises have often mastered the basic techniques of their core business, and are thus well placed to grow and to further improve efficiency. Established businesses are more likely to enter business linkage arrangements and they are more likely to become good business linkage partners. The MBLP has been successful in helping historically disadvantaged enterprises do better. Many started

very small (i.e. as microenterprises). Successful linkages have often helped them grow. A number of the MBLP's successful suppliers now employ more than 50 workers, and a few employ well over 100.

New Linkages Must Come From Different Buyers and Sectors. The prospects for new linkages with current buyers are limited. While there are undoubtedly still some opportunities for further linkages with these buyers, the obvious opportunities have already been grasped. Future growth in linkages in Manicaland will most likely come from other firms in the forestry sector, or in other sectors.

Issues of power imbalance are important and must be addressed. When a large buyer makes purchases from a small supplier, the buyer generally has overwhelming power to dictate the terms of the contract. This can result in exploitation of small suppliers. A number of techniques are commonly mooted to ameliorate the effects of the power imbalance (Grierson, Mead and Moyo, August 1997):

- **Multiple buyers:** if a small supplier can sell to several different customers, that can make the supplier somewhat less dependent on the terms offered by any single buyer. The gains to be derived from this technique, particularly if the number of potential suppliers is large and the buyers few, should not be over-estimated.
- **Education of buyers:** forward-looking buyers recognise that it is not in their interest to exploit their suppliers. A marginalised supplier will often produce low quality products and supply them on an irregular basis, both of which add to the headaches of the buyer. Suppliers need to earn a fair return. There is an educational role to play in ensuring that buyers understand this.
- **Independent assistance in costing:** a major weakness among small suppliers is that they do not know how to cost and price their products and services. An outside agency can help them determine reasonable and competitive prices.
- **Associations of suppliers:** it is often argued that the power imbalance between buyer and supplier can be ameliorated by grouping suppliers into some form of association so they can bargain collectively (Pyke, 1992). While appealing in principle, we have rarely seen it work in practice, particularly when the impetus to act collectively is external to the group.
- **Maintaining a bilateral relationship:** business linkages provide opportunities for many new entrants into the dynamic segments of the economy. Addressing the power imbalance issue must be done in ways that do not unduly constrain those opportunities. The basic rule is a simple one: ensure that the linkage remains essentially a bilateral arrangement between buyer and supplier.

Addressing the Credit Dilemma: Growing businesses of all types have a need for finance to fund equipment and working capital. Linkage relationships cannot solve the credit problem – but they can help. The approach used by the MBLP addresses the credit dilemma in three ways:

- linkages can help reduce the need for credit (It is increasingly common for buyers to supply equipment or raw materials to their suppliers, thereby reducing the supplier's need for working capital from a third party),
- by providing credit directly from the buyer to the supplier (mentoring), and
- by improving the supplier's access to credit from financial institutions (principally through fixed contracts and guarantees).

VI. CONCLUSIONS

Two key “lessons learned” have emerged from the first phase of the MBLP:

- **The driving force must be economic.** An attitude of charity on the part of the buyer, or of entitlement on the part of the supplier, can alter the focus, diminish the degree of win-win motivation and potential, and hinder the emergence of the understanding that business linkages are a commercially rewarding business practice (Mead, 1998).
- **Cost-effectiveness is a key part of the equation.** There is no likely source of long-term external support for linkages “projects”. Therefore, limited resources must be used carefully and efficiently. In general, this means avoiding costly “integrated” approaches and placing stress on providing only the bare minimum of useful and necessary assistance.

The Manicaland Business Linkages Project was fortunate to have been launched at a time when the Manicaland economy was healthy and growing. The early successes of the project owe much to the fact that several large enterprises viewed linkages as an efficient way of exploiting expanding market opportunities. However, due to the recent downturns in both the Zimbabwe economy and in many of Zimbabwe’s export markets as well, both buyers and suppliers now face stagnant markets, unfavourable shifts in relative prices and scarce and expensive credit.

The challenges facing the MBLP now are to help ensure that existing linkages survive and to identify new growth sectors with emerging opportunities. As the MBLP evolves it will have to find the balance between two complementary forces. On the one hand, as a demand-led economic activity, it must follow the market. On the other hand, consistent with the logic of business linkages, it must seek specialisation and efficiency. In balancing these realities it must be able consistently to determine both real market demand and the range of needs that the project can be expected to address. The challenges of the future include:

- retaining the focus on current credible market information as the basis for viable business linkages,
- expanding efforts to embed mentoring in Zimbabwe’s commercial culture,
- maintaining cost-effective operations, and
- placing greater stress on sustainability.

Addressing the issue of sustainability may well be the biggest challenge. The MBLP needs to increase the degree to which it can be self-sustaining without external support. The readily apparent evidence is that the MBLP is contributing to broad-based local business growth and doing so at reasonable cost. This suggests that sustainability is an obtainable objective. There is good reason to believe that the project is on a sound and promising trajectory towards this goal.

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