

# PRACTICES THAT GROW A BUSINESS IN ZAMBIA

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Collins Kalumba

School of Business

Information and Communication University (ICU)

Lusaka, Zambia

## ABSTRACT

*Almost on a daily basis, new businesses of different sizes and forms emerge on the Zambian soil. Motivated by a diverse number of reasons, a good number of people find themselves wearing the shoes of an entrepreneur. Considering the number of start-up businesses, it would be safe to assume that the business environment in Zambia will take an entirely different form in the next decade. Unfortunately, that may not be a sure fact. A good number of these new businesses fail prematurely.*

*A look at the immense effort and resources applied in starting these businesses makes it a wonder why they end up failing. On the other hand, they are still some that thrive like autumn leaves in a dry forest. Where then is the missing link? Are the efforts misapplied or is it a game of chance?*

*This research looked at the performance of different businesses and isolated those that are good performers from those that are not. The research then focused on the two groups and analyzed their operating practices.*

*The outcome of this study is a listing of characteristics or operating principles that are associated with businesses that grow. It is hoped that the findings from this study may serve as a guide to running businesses effectively.*

## I. CHAPTER ONE - INTRODUCTION

### A. Background

A vast majority of human activities revolve around doing business. Dating back to the pre-historic days, most human groupings have continuously been affected by business in one way or the other. They may work for a business, get their necessities through a business or they may even run a business. It can rightly be thought that an attempt to separate business from human activity would call for an entire redefinition of human life as well [1]. In this research we will take the Merriam Webster's definition of business as the buying or the selling of products and services with view of making profit.

Though the running of businesses dates back to the prehistoric days before money was introduced as a medium of exchange, there is still no black and white recipe on how to run and grow a business. Similarly, it is not any easier to predict or to foretell the path that any given business venture would take. The one fact that stands is that most business proprietors desire success and growth in their business. Simply stated, business proprietors long for a situation where their business makes a profit or where the business is able to grow from one level to the other [2]. It is however, unfortunate to note that despite that desire to succeed; a lot of businesses still do not succeed.

The many closed outlets, office doors, disused factories buildings and the forgotten logos and company names attest to the fact that not all proprietors have managed to spell success alongside their business. However, the coin of business also has two faces. That is, where others have failed, others have seen success. The onetime briefcase

businesses have now become household names on the Zambian market.

This research will therefore focus on the operating principles and guidelines of different businesses and in the process, classify these as growing, stagnant and declining or collapsing businesses. Characteristics of each of these groupings will be then be analysed so that similarities within the group can be associated with the particular characteristics of a group.

## B. Problem Statement

Since her independence, Zambia has seen the coming and the emerging of a countless number of companies both large and small. The mix of these companies or businesses ranges from both those that are of local and of foreign origin. The spectrum includes multinational businesses up to small scale neighbor businesses commonly referred to as 'tuntemba'.

Despite the overwhelming number of start-up businesses, it is interesting to note that not all or rather good number of these businesses do not succeed. At the same time others have risen from strength to strength. The fact that a fair majority of the companies or businesses that seemed so vibrant at some point are just a tale today is quite disheartening. The tale gets even a lot more bitter when you consider the businesses that have failed in places and conditions that others have referred to us 'pots of gold'. It is not strange to find a business that was struggling when being run by Mr X flourishing just after being sold off to Mr Y. Operating in the same location, targeting the same market and probably with the same human capital.

Scrolling back into Zambia's experience, the mines that were at one point labeled as non-profitable or a collapsing giant, overturned tables in an instant just after privatization.

Was it the change of hands from being state ownership to being privately owned? Was it mere coincidence? If it was the change of hands, what is it that they did differently? If it was coincidence, where there any special conditions that stimulated the better performance of mines. On the other hand, the onetime national wide chain stores ZCBC and NIEC enjoyed monopoly and first mover advantage in a number of locations. ZCBC and NIEC closed its doors. These are now just fairy tale in today's community. After ZCBC and NIEC, Shoprite and

PEP stores saw an opportunity to come to Zambia. Since their coming to Zambia, Shoprite and PEP have spread to not only many parts of Zambia but to different countries also. Targeting the same market and in the same line of business, one was considered a liability whilst the other is thriving.

## C. Research Questions

The research will therefore address the following questions;

- Why is it that some businesses do better than others in the same environment?
- Are there any specific guidelines or tactics that have helped successful businesses?
- Are there any particular characteristics which if not present mean that one is likely to fail?
- Are these particular characteristics universal such that they can be applied by others to yield the same result?

## D. Research Objectives

### 1. General Objective

A lot of individuals and organizations have started businesses that have virtually failed to take off. At the same time, others have registered commendable progress and success in running similar businesses. In this light, the general objective of this research is to come up with characteristics of growth in a business.

### 2. Specific Objectives

The specific objectives of the research included the following;

- To identify which companies have grown over the recent past and which ones have not grown. This involved looking at indicators of growth in a business such as income levels, number of assets, capital base and employment levels
- To come up with characteristics or business operating principles that lead to success and growth in the running of a business. This involved analyzing the operating practices of growing companies and identifying the common elements
- To identify which practices that should be avoided in a business. This involved looking at the common operating practices of the

companies that had not grown over the recent past

## E. Significance of the Research

The field of growing, running and even starting a business is one that has and always will stir a lot of interest. In the same light, this research takes a methodological approach to contribute to this area of study with the aim of bridging the gap that is there between the theoretical approach and what is on the ground. The research narrows down to highlight the factors that affect Zambian businesses and business operators

The research will be an in-depth study of business practices prevalent in Zambia. This entails that it will produce data that will be of high validity and applicability within the Zambian circles. It will therefore act like a reference that will help mitigate the common challenges that are faced by many Zambian business proprietors.

Though this study may not necessarily be the first of its kind in the field, its results will undoubtedly be unique in that they are specifically meant to address the current conditions prevalent in Zambia. The research will also take the generalized dimensions given by other researchers who have trod this road before and tally them against the current conditions in Zambia. This will make the results of the research more robust and applicable to other environments also.

The research findings should therefore be able to stand out as a checklist or guide that business proprietors can use in their business. The results will be presented in such a way that any business owner should be able to see the applicability to their business.

## II. CHAPTER TWO – THE BUSINESS ENVIRONMENT IN ZAMBIA

### A. Background

Soon after her birth in 1964, Zambia embarked on several economic policies which were meant to foster development in the new nation. Between 1964 and 1966, Zambia instituted a National Commission for Development Planning which was a Transitional Development Plan. This was then followed by the First National Development Plan to run from 1966 to 1971. These two plans set the stage for major infrastructural and industrial development. Central to this pre-independence economy was the high copper prices that brought about an economic boom. According to Lungu [13], by 1969, Zambia was classified as a middle-income nation and was ranked among the countries with the highest GDP (Gross Domestic Product). Its GDP was twice as high as that of Egypt, three times higher than that of Kenya, higher than South Korea, Brazil, Malaysia and Turkey. Zambia stood as an icon of African development.

The growth in the economy during the pre-independence era was supported by the rapid growth in the manufacturing sector. With the state policy to empower the local industries through import substitution, the manufacturing sector was shielded from external competition. The state was thus heavily involved in establishing the manufacturing sector. The type of make-up and the type of investment were as determined by government. This therefore fostered massive industrial growth. The favorable copper prices during the pre-independence era enabled government to finance a number of investment programs.

The policy of the state that was aimed at substituting imports brought about the need for diversification in the industrial sector. The industry therefore ranged from foods and beverages to chemicals and chemical products, metals and metal products to tire manufacturing and car assembly, textiles and leather products to daily products and agricultural produce. Unfortunately, despite the vast array of industries, the volume of exports was limited, contributing only 1.3% of the total exports in 1977 [14]. This was mainly because it was more profitable for businesses to seek the domestic market than to export.

In April 1968, Zambia through the Mulungushi Economic Reforms declared its intentions to take up equity share holding of at least 51% in a number of foreign owned firms. This was motivated by the fact that the privately-owned firms were not contributed as much towards the development of the nation. Most of the profits were externalized and there were no deliberate efforts to re-invest within the nation. Further, fewer Zambians were involved in running these businesses.

By January 1970, under the Industrial Development Corporation (INDECO) the state had acquired majority shareholding in the operation of the mines that were until then fully operated and managed by two private owned corporations. That is, the Anglo-American Corporations and the Rhodesia Selection Trust. These, under a new parastatal called Mining Development Corporation (MINDECO) then became Nchanga Consolidated Copper Mines (NCCM) and Roan Consolidated Mine (RCM) respectively. In the financial sector, Zambia set up the Finance and Development Corporation (FINDECO). This was aimed at gaining control of the financial market. Through FINDECO, government had the control of building societies and insurance companies. Only the foreign owned banks like Barclays Bank, Standard Chartered and Grindlays now trading as Stanbic Bank resisted the takeover by government.

In 1971, the three parastatal bodies, INDECO, MINDECO and FINDECO were brought together as ZIMCO. It became one of the largest companies in Sub-Sahara Africa under the chairmanship of Dr Kenneth Kaunda the republican president.

After 1974, the prices of copper fell drastically on the world market, meanwhile, oil prices shot up. This adversely affected the Zambian economy whose foreign exchange earnings and GDP were still 90% and 40% dependent on the export of Copper respectively [15]. This caused a lot of pressure on the economy. This period also saw the implementation of controls such as quantitative import restrictions, exchange rate management, import licensing and some products could not just be imported [14]. However, without revenue from copper, it was difficult to provide even for productive companies that were now under the control of the government.

In the subsequent years, the GDP fell as reserves dwindled. The budget balance was negative and the economy declines at a fast rate. By 1977, the government of Zambia had exhausted its foreign reserves. There was no option but to borrow. By the mid-1980s Zambia had become one of the most indebted countries in the world and as argued by Ndulo & Mudenda, [14], one of the poorest countries.

In 1985, the economic downturn forced Zambia to consider structural changes. This included bringing an end to price controls, cancellation of subsidies on food and fertilizer, devaluation of the kwacha and cut backs on government spending. These actions were propelled by demands from the IMF, where the Zambian government had turned to borrow. However, in 1987, these reforms were abandoned because of social unrest.

The most drastic change started on 15<sup>th</sup> November 1991 when Zambia's economy was liberalized. According to the Oxford Dictionaries, liberalization is the removal or loosening of government restrictions in areas such as the economy or political circles. In the case of Zambia, liberalization meant the cancellation of controls such as foreign exchange controls and reduction of tariff and non-tariff barriers to trade. Zambia also had to forego its policy of import substitution. This spelled the opening up of the Zambian market for competition both from the domestic and the foreign market. Deliberate efforts were put in place to ensure that the environment was conducive for carrying out business.

The liberalization of the economy was bundled with privatization. Privatization is the transfer of ownership or control of properties from the state to private hands. Liberalization and Privatization opened the Zambian market for entrepreneurship.

## **B. Zambia's Business Environment After Liberalization**

The declaration of a liberalized economy in Zambia brought with it a lot of policy changes. Ultimately, the direction was to make it a lot more conducive to carry out business in Zambia as government gave up its power to control the administration and control of most the institutions. The liberalization of the economy brought with it the opening of new businesses. With the growing ease to start a

business, more and more entrepreneurs step up to open businesses.

From the first declaration of liberalization and the privatization of the economy, Zambia has gone through several reforms that have all been aimed at making it more and more conducive for trade. Efforts have been forced on making Zambia a haven for the business entrepreneur. It is worthwhile noting that these efforts have not been wasted.

According to the World Bank Group listing of 189 economies, as of 2015, Zambia ranked as the 68<sup>th</sup> in terms of the ease of starting a business. In 2014., the ranking was 72<sup>nd</sup>. The list, which compares the procedures, time and cost, shows that there are 5 procedures that one has to go through when starting a business. It also shows that it takes 6.5 days to run through the procedures and it cost 26.8% in terms of income per share capital.

## C. Types of Businesses

There are several businesses that can be operated in Zambia. These include the following;

### 1. Sole Trader

This is the simplest form of a business. A sole trader entity is appropriate for most types of small businesses. It is wholly owned and financed by one individual, who receives and administers all the profits that are made by the business, even though more than one person may work in the business.

In most cases, the management of an individual sole trader is not formal, consequently they are flexible regarding:

- the type of (legal) activities in which the business may be engaged
- when to start up or cease the business
- the way in which business is conducted.

The individual sole trader also has responsibility for;

- financing the business
- risk-taking
- decision-making
- employing staff
- any debts or loans that the business may have (the responsibility for which is unlimited, and

cases of financial difficulty may result in personal property being used to repay debts).

A sole-trader business is simple and cheap to set up. There are no legal or administrative set-up costs since it is not a legal entity separate from its owner. This is unlike the legal position of owners or shareholders of limited companies who are recognized as separate legal entities from the businesses they own.

Accounting records are needed to be kept by sole traders for the day-to-day management of the business and to provide an account of profit made during each tax year. Unlike limited companies, sole traders are not required to file a formal report and accounts each year with the **Registrar of Companies**. However, sole-traders must prepare accounts on an annual basis to provide the appropriate financial information for inclusion in their annual tax returns for submission to Zambia Revenue Authority (ZRA).

Sole-traders normally remain quite small businesses, which may be seen as a disadvantage. The breadth of business skills is likely to be lacking since there are no co-owners with which to share the management and development of the business.

### 2. Partnership

Partnerships are similar to sole traders except that the ownership of the business is in the hands of two or more persons. The main differences are in respect of how much money each of the partners puts into the business, who is responsible for what, and how the profits are to be shared. These factors are normally set out in formal partnership agreements. There is usually a written partnership agreement (but this is not always necessary) and so there are initial legal costs of setting up the business.

A partnership is called a firm and is usually a small business although there are some very large partnerships, for example firms of accountants like "Price Water House Coopers". Partnerships are formed by two or more persons and, apart from certain professions like accountants, architects, and solicitors, the number of persons in a partnership is limited to twenty or less (Companies Act, Cap.388, part 1, Section 5.1(a)).

A partnership:

- can carry out any legal activities agreed by all the partners
- is not a legal entity separate from its partners.

The partners in a firm:

- can all be involved in running the business
- all share the profits made by the firm
- are all jointly and severally liable for the debts of the firm
- all have unlimited liability for the debts of the firm (and cases of financial difficulty may result in personal property being used to repay debts)
- are each liable for the actions of the other partners.

Accounting records are needed to be kept by partnerships for the day-to-day management of the business and to provide an account of profit made during each tax year. Unlike limited companies, partnership firms are not required to file a formal report and accounts each year with the Registrar of Companies, but partners must submit annual returns for tax purposes to ZRA.

One of the main benefits of a partnership is that derived from its broader base of business skills than that of a sole trader. A partnership is also able to share risk-taking, decision-making, and the general management of the firm

### 3. Private Company

Section 13(b) of the Companies Act (*ibid*) defines a Private company as one limited by shares, a company limited by guarantee or an unlimited company.

The number of members in a private company is limited to not more than fifty. However, in an unlimited private company, articles may provide for more than fifty members.

### 4. Private Limited Company

Private limited companies are designated as Ltd. There are legal formalities involved in setting up a Limited company which result in costs for the company. These formalities include the drafting of the company's Memorandum and Articles of Association (M and A) that describe what the company is and what it is allowed to do, registering the company and its director(s) with the Registrar of

Companies, and registering the name of the company. The shareholders provide the financing of the business in the form of share capital, of which there is no minimum requirement, and are therefore the owners of the business. The shareholders must appoint at least one director of the company, who may also be the company secretary, who carries out the day-to-day management of the business. A Limited company may only carry out the activities included in its M and A. Ltd companies must regularly produce annual accounts for their shareholders and file a copy with the Registrar of Companies, and therefore the general public may have access to this information. A Ltd company's accounts must be audited by a suitably **qualified accountant**, unless it is exempt from this requirement. The exemption is not compulsory and having no audit may be a disadvantage: banks, financial institutions, customers, and suppliers may rely on information from different sources to assess the creditworthiness and they are usually reassured by an independent audit. Limited companies must also provide copies of their annual accounts to (Zambia Revenue Authority) ZRA and also generally provide a separate computation of their profit on which corporation tax is payable. The accounting profit of a Limited company is adjusted for:

- various expenses that may not be allowable in computing taxable profit
- tax allowances that may be deducted in computing taxable profit.

Limited companies tend to be family businesses and smaller businesses with the ownership split among a few shareholders, although there have been many examples of very large private limited companies. The shares of Limited companies may be bought and sold but they may not be offered for sale to the general public. Since ownership is usually with family and friends there is rarely a ready market for the shares and so their sale usually requires a valuation of the business.

### 5. Public Limited Company

Public limited companies are designated as plc. A private limited company (PLC) usually starts its life as a Ltd company and then becomes a public limited company by applying for registration as a private limited company (PLC) and a listing of its shares on the Stock Exchange. The offer for sale, dealt with

by a financial institution and the company's legal representatives, is very costly. The formalities also include the redrafting of the company's M and A, reflecting its status as a private limited company (PLC), registering the company and its director(s) with the Registrar of Companies, and registering the name of the plc. The shareholders must appoint at least two directors of the company, who carry out the day-to-day management of the business, and a suitably qualified company secretary to ensure the private limited company's compliance with company law. A private limited company may only carry out the activities included in its M and A.

Private Limited Companies must regularly produce annual accounts, a copy of which they must send to all their shareholders. They must also file a copy with the Registrar of Companies, and therefore the general public may have access to this information. The larger private limited companies usually provide printed glossy annual reports and accounts which they distribute to their shareholders and other interested parties. A private limited company's accounts must be audited by a suitably qualified accountant, unless it is exempt from this requirement. The same drawback applies to having no audit as applies with a Limited company. Private limited companies must also provide copies of their annual accounts to Zambia Revenue Authority and also generally provide a separate computation of their profit on which corporation tax is payable.

The accounting profit of a private limited company is adjusted for:

- various expenses that may not be allowable in computing taxable profit
- tax allowances that may be deducted in computing taxable profit.

The shareholders provide the financing of the private limited company in the form of share capital and are therefore the owners of the business. The ownership of a plc can therefore be seen to be spread amongst many shareholders (individuals and institutions like insurance companies and pension funds), and the shares may be freely traded and bought and sold by the general public.

## D. Company Registration

Company registration in Zambia is carried out by PACRA (Patents and Company Registration Agency). PACRA is an agency setup under the

Ministry of Commerce Trade and Industry to register and protect industrial and commercial property and to serve as a legal depository of information that is required for company registration.

Over the years, PACRA has continued to re-model its operations and operational boundaries in a bid to make their operations more efficient and easier to access.

## E. CEEC Program

Apart from encouraging its citizens to register their businesses, the Ministry of Commerce Trade and Industry has also mandated the Citizens Economic Empowerment Commission (CEEC) to empower citizens in their quest to start new businesses. Their aim of CEEC is to promote broad based and equitable economic empowerment of citizens that are or have been marginalized or disadvantaged and whose access to economic resources and development capacity has been constrained due to various factors such as race, sex, educational background, status and disability.

CEEC is therefore the vehicle by which the Government would like to transform Zambia into a nation where citizens are playing a key role in economic activities with greater participation of targeted citizens, citizens influenced companies, citizens empowered companies, and citizens owned companies.

### 1. CEEC Empowerment Pillars

CEEC Operates with the following empowerment pillars;

1. Equity/Ownership, management and control
2. Preferential Procurement

At least 50% of Government and Private Sector expenditure should go to empowered companies and that at least 30% of these supplier companies be controlled by targeted citizen

3. Skills Development

Improve education and enhance ability to adopt modern business practice

4. Access to Finance

This includes establishing of the Citizen Economic Empowerment Fund to act as a special

purpose vehicle to finance citizen's economic empowerment

## 5. Transformation of Society

To provide supportive culture, entrepreneurship for sustainable CEE

## 6. Corporate and Social Responsibility

Encourage companies and communities to partner and uplift communities

## 7. Good Political and Corporate Governance

Creation of predictable legislation and regulatory framework for transparency and accountability

## 8. Greenfield Investments

Promote investments and partnerships between local and foreign investors

## 9. Foreign Direct Investment

Encourage a foreign and local partnership approach to achieving CEE

### III. CHAPTER THREE – LITERATURE REVIEW

#### A. Running a Business and Growing a Business

The first hurdle in the business environment is coming up with a workable business idea. Unfortunately, it is not the only one. Operating a business successfully spells yet another challenge. It often requires some tactic or operating strategy. One has to have a thorough understanding of key business principles. It is for this reason that there has been a lot of interest in exploring the principles that govern business operations.

Though some studies and authors like Onyeani (2006, p.98-99) [3] have taken the general conclusion that general trends show that some groups or some people are more likely to succeed in running businesses than others, this study aims at bringing out the principles that are applied by successful proprietors. Onyeani (*ibid*, p.20) [3] concludes that, Caucasians and Asians are more likely to do better than Africans when running similar business. This he attributes to certain "killer instincts" that these groups of people have. He further states that Africans on the other hand, of which Zambians are a part, do not know how to invest their money. This research on the other hand

will seek to bring out what would be termed the "killer instincts". At the same time, it will look at bad investments decisions that negate growth in businesses.

In her online publication, McFarlin (Undated), who forwards the idea of 'learning' from others, advises business proprietors to study the characteristics of companies or businesses that are successful. She states that;

*"Small business owners can learn quite a lot by studying rapid growth companies within their sector. By emulating the characteristics of rapid growth companies, these small businesses can adapt their business practices to experience similar growth. While every business is different, many characteristics are common with successful rapid growth companies."* [4]

With a systematic study of how other players run their businesses, it is possible to identify certain behaviors or characteristics which when applied or implemented can help others in the running of their businesses.

Though some researchers like Knaup [5], have concluded that many small businesses don't survive the test of commercial success, it still remains of prime import to know and isolate the factors that have lead those that have failed, to fail and those that have succeeded, to succeed. In a research that was conducted in the United States, Knaup & Piazza [6] collected data on US based companies both in the public and the private sector that was available from the Bureau of Labor Statistics of Employment. From the data they collected, they concluded that between 1998 and 2005, 81% of the businesses that were set up in 1998 survived beyond the first year, 38% beyond year five and only 31% made it through seven years. Similarly, studies conducted in Australia on 5169 businesses showed that the annual failure rate for new businesses was 9%. In a 10-year period of the study, 64% of the businesses had failed [7]. If all business proprietors do not intend to have their business take on a downward trend, why is it then the failure rate is so high? What is it that they do that causes their failure?

McFarlin [4] who takes on a generalized view, goes on to list four elements as characteristics of growing companies. These include taking risks, proper planning, high profit ratios and attention to the market. She states that companies that take

calculated risks have higher chances of growing than those that do not. This she couples with the need to properly plan. Interestingly, higher profit margins are also placed in line with higher growth potential. She states that in as much as lower prices give businesses a competitive advantage, it is only worthwhile if it is offset by higher volumes of sales. Lastly, in emphasizing the need to pay attention to the market, McFarlin [4] states that a business should always seek out new markets and new products if they are to avoid being stagnant.

On a rather more divergent line of thought, Champy [8] focuses on ambition, the customer, focus, execution and inspiration. Though they are similarities in their research findings, Champy and McFarlin seem not agree on the element of focus and paying attention to the market. Champy seems to emphasize the need to focus on a particular market while McFarlin forwards the idea of exploring new markets. Which line of action is common among those that have succeeded? Could there be another possibility that some companies have succeeded because of their strong focus on a particular market while others have expanded faster because of taking risks and trying new waters? The question in this case would be what exactly is the likely winning formula in the case of a Zambian business proprietor? Should only one or perhaps both strategies be adopted? If one, which one? Would the conclusion be universal? How exactly does it apply to the Zambian context?

It is interesting at this point to note that a remedy that may work in one environment may not necessarily be so in another. This prompts the need to seek a Zambian remedy for a Zambian problem. Matthews [9] whose research centered on seeking factors that influence the probability of being a fast growing firm in Eastern and Western Germany concluded that factors that favored growth were more prevalent in Eastern German than in West Germany. In the study, Matthews pays special attention to German firms that were established in the 1990s just after the reunification of Eastern and Western Germany. In the study, the conclusion was that Eastern Germany had fast growth factors that Western Germany did not have. This, the study attributes to what are termed as special conditions. What then are the “special conditions”?

True as it may be that some environments or conditions are more conducive for some businesses

than others, the fact that some businesses thrive while others fail within the same environment calls for the need to identify the particular mix of business principles that have been at play in the companies that have risen from one level to the other. If negative factors do exist within a particular environment, how have the other businesses turned the tables in their favor? This within itself shows that with a particular mix of business principles, one can outweigh some if not all the negative effects at play in an environment.

Apart from drawing characteristics of businesses that grow, other writers like Bordt, Earl, Lonmo and Joseph [10], have included factors that hinder growth in businesses and in their case, the focus area was Canada. This research will seek to determine the factors that have specifically hindered the growth of small businesses in the case of Zambia.

The research also adopted the 5-staged approach in the life cycle of an organization as proposed by Vendetti [11] in determining the stage at which most businesses fail to sail through. The stages in this case are start-up, growth, maturity, revival and decline. The start-up stage is where a business is born and begins to exist. This stage requires the putting together of assets in order for the business to run. In the start-up stage a lot of businesses are vulnerable [12]. The income from the business is also tight. Proprietors who lack sufficient enthusiasm to run the business often breakdown during this stage. The businesses that sail through the start-up stage, go into the growth stage. This research will seek to bring out the ‘enthusiasm’ that is required for a Zambian business to reach this stage.

The maturity stage in a business is where the business reaches its full size in terms of employment levels and profits. There is often enough capital and resource during this stage. Business proprietors who fail to effectively manage to the business slip into the decline stage of the business. The decline stage is where the business takes on a downward turn. The business assets begin to diminish as the business begins to lose ground.

## IV. CHAPTER FOUR – RESEARCH SETTING

### A. Methodology

This section shows a description of the methods that were used in the research. It highlights how data was collected, the sample size, the sampling criteria and where the research was conducted. It also shows how the data was processed and analyzed.

### B. Research Design

This research took a descriptive approach to bring out what characterizes businesses that are likely to grow. The researcher chose this design because it is quicker to conduct and to analyze the data. It involved the use of both qualitative and quantitative methods of data collection. A mixture of primary data collected through the use of questionnaires and interviews with key informants and secondary data collected through the review of documents, publications and the internet were used in the research.

### C. Study location

The research was conducted in the city of Ndola. The choice of the city of Ndola on the other hand was because of convenience. The researcher was based in Ndola.

Ndola, which is the provincial head quarter for the Copperbelt was at one time one of the most industrialized towns in Zambia. It was home to among other giants, Dunlop, Lyons Brooke Bond, Copper Harvest and Tata Zambia. Though some of the giants have closed their doors, remodeled their business strategy or relocated, Ndola still claims a fair share of Companies that are present in Zambia. It has also seen the raise, the growth and the decline of many businesses at both the small scale and the large scale. The setting and history of Ndola provides a firm foundation for obtaining representative results that are required in this research.

### D. Data Collection Techniques

Primary data was collected through the use of questionnaires and interviews with key informants. Secondary data was collected through interviews with key informants.

#### 1. Questionnaires

A questionnaire was designed by the researcher to be used for data collection. The research involved collecting data from different business entities. Where the interviewee was capable and willing, they were given to complete the questionnaire. However, in cases where the interviewee was incapacitated or unwilling, the researcher read the questions and completed the questionnaire accordingly.

#### 2. Key informants

Key informants were used to validate the findings of the research before the final publication. This was in a bid to ensure that the conclusion of the research did not contradict with the objectives or regulations of the governing authorities. The key informants were members of the society who had in-depth understanding of the key principles and guidelines of running businesses. The key informants were also picked on account of their understanding of specific issues in the business environment. The interviews with the key informants were guided by the findings of the research.

#### 3. Document Review

Different documents were reviewed covering different aspects of business. Among them were documents governing the set-up and running of businesses in Zambia, like the Companies Act of the Republic of Zambia, the Companies Bill of 2013 and documentation on the objectives of the Citizen's Economic and Empowerment Commission (CEEC).

Apart from the above listed documents, a lot of data on similar studies and presentations was accessed from the internet.

#### E. Sample Size and Sampling Criteria

The sample size for primary data collected using questionnaires was 50. That is 50 questionnaires were distributed to different individuals who represented various businesses within the city of Ndola.

The samples were chosen at random using simple random sampling with a view of getting samples that are as representative as possible.

#### F. Data Analysis

The researcher analyzed the primary data using Microsoft Excel 2007. This package was chosen because of the researcher's familiarity with the

package. Secondary data was on the other hand analyzed manually by the researcher. The dissertation and the questionnaires were typed using Microsoft Word 2007. Figures and Tables were also created using Microsoft Word 2007.

## G. Challenges

The challenges that were faced in the research include the following;

1. Access to data relating to businesses that have closed
2. Business owners not willing to give out information
3. Business owners or key players in some businesses not being available or within easy reach
4. Limited resources like time and funding

Having noted the first challenge, the researcher focused on seeking out those businesses that have their roots within the research area and those were the researcher could still find reliable people who had worked for the company or business. In this case, it was possible to find answers to some questions.

In view of the second challenge noted above, the research questionnaires were designed in such a way that identities of the businesses sampled were not be required. The respondent was only required to pick or state the nature of business, for instance, the respondents were only required to indicate that they were running or working for a hardware store and not the name of the store. This was meant to help in maintaining a sense of privacy among the respondents.

In the case of the third challenge, similar steps with those to do with the first challenge were taken. That is, businesses that are native to the research area or had reliable representation were given first priority. As with every other research, finances and time may influence the progression of the project. The researcher however made every effort to ensure that these were kept in check.

## V. CHAPTER FIVE – RESEARCH FINDINGS

### A. Introduction

This chapter highlights the findings of the research. It provides a basis on which conclusions and subsequently recommendations from this research have been made. Both qualitative and quantitative research methods were used in analyzing the results. Verification of the findings was done by referring to available literature and interviews with key informants.

Section B of this chapter presents the results from the questionnaires, interviews the review of documents with a focus on Zambia's potential to support growth.

Section C examines the characteristics of growing companies and those that are not and compares the two groups. This section also discusses the findings as they occur.

### B. Zambia's Potential to Support Business Growth

From the total number of businesses sampled, 38% were found to have signs of significant growth over time, 44 % were found to be either static or on a decline. 18 % did not respond within time.

According to most respondents, Indicators of growth include increased market share, increased volume of sales and higher profit margins. Other indicators are expansion of geographical presence and increase in the number of operational points or outlets. These elements were in-turn accepted as a basis for classifying the businesses in this research.

Interviews with key informants revealed that the business Environment in Zambia is fairly favorable for business growth. This was in agreement with document review undertaken in this study. Examples cited to emphasize this include the declaration of some towns such as Ndola and Luanshya as tax free zones. With this declaration companies operating from this area were exempted from paying some taxes which they would otherwise be required to pay.

Respondents affirmed that Zambia provides a good marketing ground for most products and services. Apart from competition from other players within a particular industry and the need to provide the correct product and service, there are no significant

barriers of trade that would otherwise cripple a business. There is generally easy access to the market.

Several interviewees considered the rapid growth of some businesses as a reflection of the ready market in Zambia.

## C. Comparison of Operations Between Businesses with and without Growth

### 1. Registration of Businesses

It was noted from the research that most of the respondents had the appropriate documentation for their operations.

This picture was common between both the companies that had recorded growth and the companies that were not growing. Most of the businesses were found to have through the relevant registration process which included registration as a business and registration for tax purposes.

In the light of the findings discussed above, though registration of a business is a preliminary requirement for a business to have legal recognition, it does not place a business in any advantaged grow position. It is however important to underscore the fact that when a business is no registered, then it is not there. It is not a legal entity.

### 2. Adherence to Business Plans

It can be seen from figure 1 below that 63% of the respondents representing growing businesses had no clearly written business plan at the point of starting their business. It could therefore not be determined whether they were operating in-line with the business plan or not.

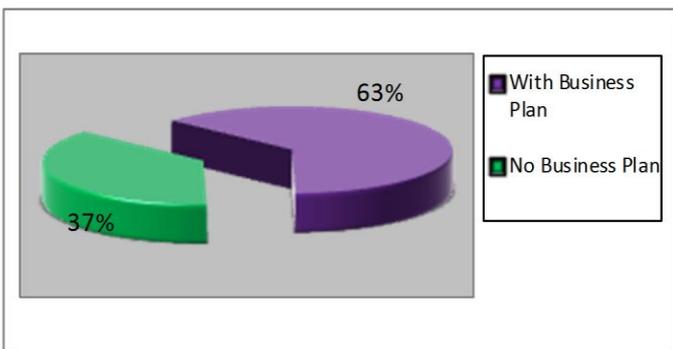


Figure 1 – Respondents with Business Plans

From the companies that had the properly outlined business plans, it was discovered that only a small number of them were operating according to what was in their business plan. The drifting was in most cases as a result of a response to changes in market conditions.

Companies in the bracket of those with no growth were no different in this area. It was revealed that a majority of them had no clearly outlined business plans. It was common to find terms like General Dealers or Enterprises. In most cases, true to the term, these businesses were general players with a span of operations stretching from Agro-chemicals to mining products depending on available opportunities.

Considering the fact that both the businesses with growth and those with no growth did not show significant difference when it comes to adherence to business plans, this element could not be considered a life and death ingredient in business growth.

### 3. Motivation for Business

Figure 2 below shows that 32 % of the respondents in the category of companies that have growth were motivated by their passion to run a business, 47 % went into a business because of an opportunity they had seen while 21% started their business because they had no alternative employment.

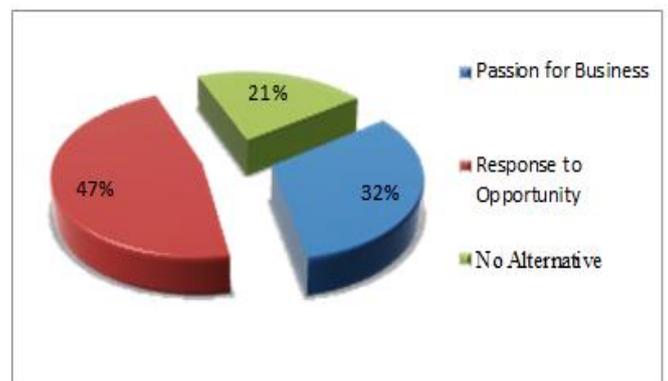


Figure 2 - Motivation in Growing Businesses

In the case of businesses that were not growing, the picture is as represented in Figure 3 below. It can be seen that 30% were operating family businesses. That is, they simply took over businesses that already existed. 10% started because someone had the passion to do business while 50% started businesses because they had no alternative

means of making a living. 10% did not know why the business they were connected to started.

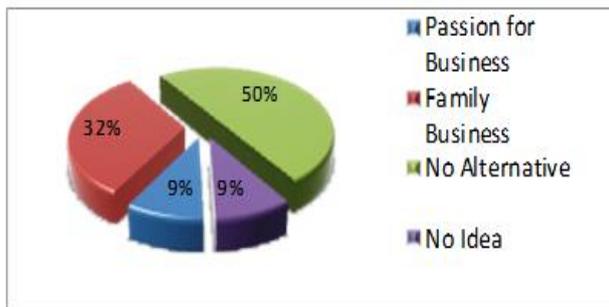


Figure 3 - Motivation in None Growing Businesses

From the scenario presented above, we see a major difference in what motivates people in growing businesses and in none growing businesses. The success rate is higher among people who started businesses because they had the passion than among those started simply because they were no longer working or because they had nothing to do.

We have also seen that businesses that respond to opportunities are also likely to flourish. Family businesses on the other hand seem not to have nothing much to offer.

As was discussed in the literature review, Champy [9] sites focus and ambition as major in running successful businesses. Mushalika [14] also talks about focus. He writes, before you start you need to have a clear focus of what you want to achieve. Regards of whatever vision you have, it is cardinal to ensure that you can picture so that you can apply every effort to achieve it. In simple terms, motivation is cardinal in successful businesses.

#### 4. Separation of the Business from the Proprietor

The results from the research showed that 79% of businesses that had grown had a clear distinction between the business and the proprietor. That is, business operations were separated from the direct influence of the owner. This means that it was possible in most of such cases to draw a line between assets of an individual and those of the business.

The research also revealed that 68% of businesses that revolve around the proprietor. Barely grow. This was in cases where it was difficult to isolate the assets of the business from the individual.

Though there were some cases where businesses that are not separate from the owner have grown, the results show that such cases are lower. Separation makes it easy to account for business assets and helps in enhancing control of these assets.

#### 5. Involvement of Professionals In Decision Making Roles

Most of the respondents from growing businesses had professionals in their business structure with clearly spelled out roles and functions. These professionals included mostly Accountants and Managers for smaller businesses. These professionals were also mandated to make operational decisions. It was found that only a smaller number successful business operated without professional in clearly defined roles and no organizational structure.

Interestingly, we see from figure. 4 that 68% of businesses that were not growing had no professionals in decision making roles. Business owners determined the direction the business was taking.

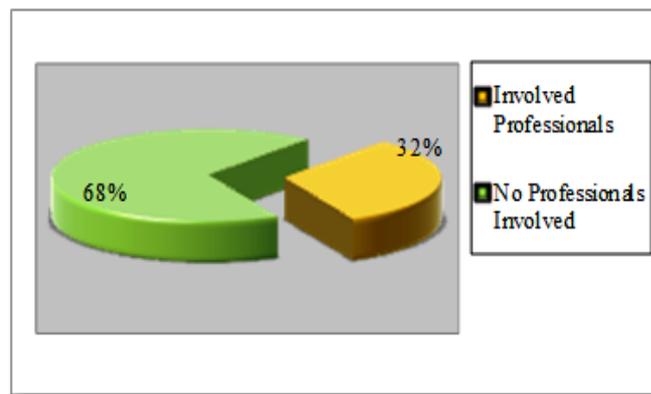


Figure.4. Involvement of Professional in Decision making

Though it is true that the entrepreneur or proprietor has the clearest vision of what they want to achieve, they may not be knowledgeable in all areas. It is therefore imperative that as the business gets

grounded, people with the appropriate skills should also start being attached.

## 6. Future Plans for Expansion

The results obtained are represented in figure 5 below. It was found that 79 % of the respondents who have growing businesses had plans for expansion while only 21 % of the respondents had no clear plans for expansion.

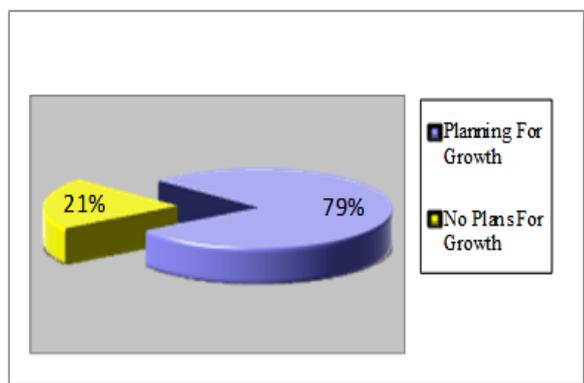


Figure 5. Plans for Growth

In the case of businesses with no growth, the picture was as shown in figure 6 below. It was found that only 45% of the respondents had defined plans for expanding the business. 23% were planning for survival while 32% of the respondents were comfortable with the level at which they were operating.

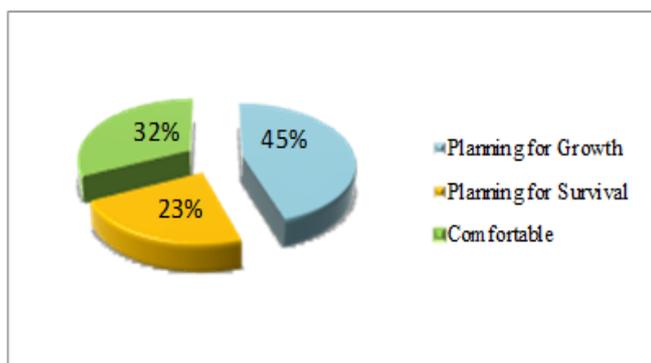


Figure 6. Plans for Growth among Static Businesses

From the foregoing, a business with clearly defined plans for growth has the highest chances of growing the business. This was in line with reviews from documents indicating that some businesses do not grow simply because the owners do not want them to grow.

## 7. Working Towards the set Plans for Expansion

It was noted that most respondents from growing businesses were able to list down activities in line with their plans for growth.

In the case of companies with no growth, it was found that most of the respondents did not have specific strategies to ensure that they grew as per their desire. The focus for businesses in this case included the need for basic survivor on the market.

## 8. Marketing Research

From the responses got, only about 74 % of the respondents with growing businesses category had conducted or were conducting a market research. This is shown in figure 7 below.

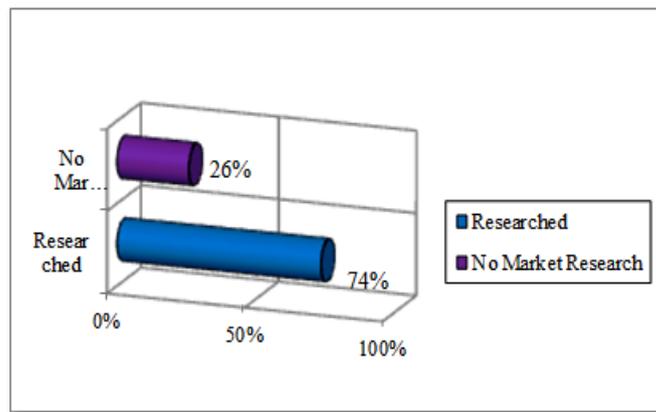


Figure 7 -Marketing Research among Growing Businesses

In the category of none growing businesses, it was found that only a handful of respondents had market research programs. This is shown in figure 8 below.

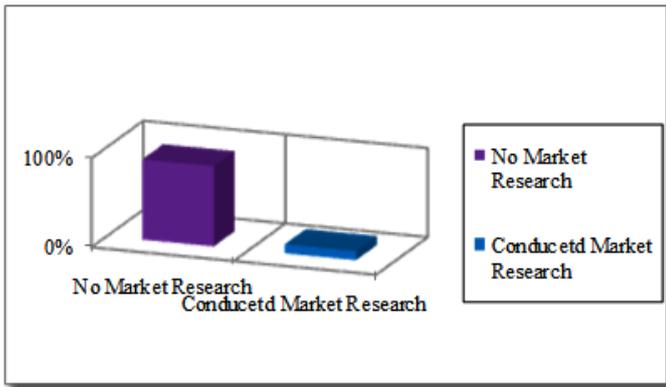


Figure 8. Market Research among None Growing Businesses

Marketing research helps in bridging the gap between the business and its would be customers or clients. It is therefore not surprising that growing businesses research the market.

## 9. Marketing of Products and Services

From the responses got, 79 % of the respondents with growing businesses had a clear marketing program. This is represented in figure 9 below. Marketing programs described included the use of the print media, electronic media and the use of various marketing methods.

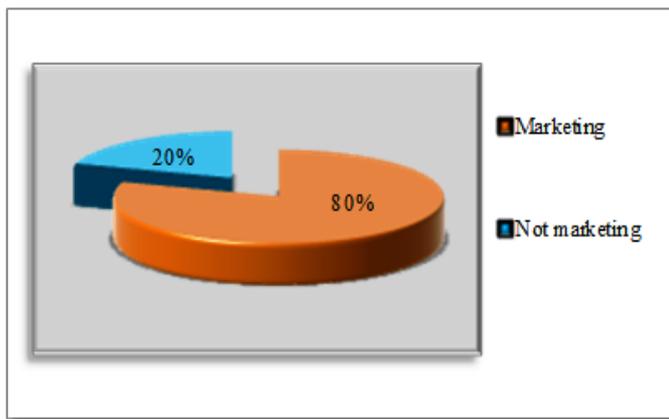


Figure 9. Marketing of Products and Services among Growing Businesses

Figure 10 below shows a rather different picture obtained from respondents representing companies with no growth. It can be seen that in this case only

18 % had clearly spelled out marketing programs. Interviews carried out further revealed that most respondents believed it was not necessary to invest in marketing programs since customers come on their own.

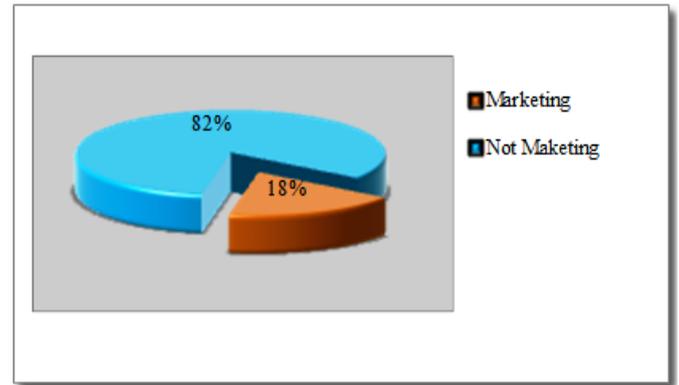


Figure 10. Marketing of Products and Services among None Growing Businesses

As has been shown above, marketing should not be separated from a business. Whether, it's a start-up or an established firm, marketing is cardinal.

## 10. Effect of Time on Business

It takes time for a business to be established. According to information collected from key informants, it equally takes time to build the necessary clientele that is required in order for a business or product line to break even.

Recalling what was addressed in the literature review; the time factor cannot be overlooked in a business.

## 11. Defined Financial Plan

It was found that 63% of the respondents indicated that they had a defined financial plan among growing companies. This figure reduces to only 32 %, as can be seen from figure 11 below, among businesses that are not growing.

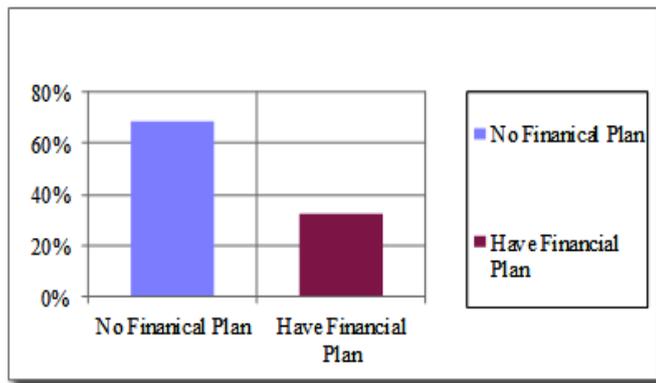


Figure 11. Financial Planning among None Growing Businesses

This revelation is not surprising considering that most growing companies were also found to have a higher level of involving professionals like Accountants who would expectedly work with a financial plan.

## 12. Investment in Research and Development

It was found that there was generally no significant involvement in research and development among all the respondents. Similarly, the number of products and services that were as a result of research and development was insignificant.

Though this finding looked like it was out of the ordinary, it is actually in order for a country like Zambia as range of manufacturing is not broad.

## VI. CHAPTER SIX – CONCLUSION

### A. Introduction

This chapter concludes the research. It provides a summary of the practices that were notable in growing businesses.

According to Champy [6], there is no one company that is perfect in the way it runs. Similarly, there is no one formula that can be termed the only recipe for driving into success. This thought could perhaps be supported by companies that at one time would be prosperous, but then the next moment they go under despite using the same operational techniques. In this light, it becomes prudent for us to broaden the scope and ensure that we identify elements that have helped many.

This conclusion is therefore based on what was seen in most of the growing business and is presented in line with the aim of the research. The chapter also covers areas of future research as revealed during the course of the research.

### B. Practices in Growing Businesses in Zambia

The findings of this research have shown that attributes that characterize a growing company in Zambia are as follows;

- **They are Focused**

The study revealed that most growing businesses are focused on what you want to achieve. This tends to help them in ensuring that every effort is aimed at achieving what is planned.

- **They are Appropriately Motivated**

The study showed that the type of motivation matters in business success. For example, most of the businesses motivated by the quest to run businesses were found to be more likely to grow than those motivated by the owner's need to make ends meet.

- **The Business and the Proprietor are Separate**

It was found that most growing businesses are separate from the owners. Separation in this case was found to be handy in enhancing control.

- **Professionals are Used**

From the research, the use of professionals is not only critical because of the need for growth; it also helps in ensuring continuity. It basically opens up the business to the possibility of getting the best available professional advice on the market

- **They Plan for Growth**

Planning for growth was also found to be common in growing businesses. The plans include what exactly should translate into the desired growth. Is it in customer base, geographical boundaries or in the range of products or services?

- **They Research the Market**

It was established that most growing companies research the market. They ensure that products and services are tailored according to the needs of the environment within which a business operates. In order for a business to stand out, it was found that they have to offer what the market needs. This explained why companies would thrive in one market and yet fail in a neighboring town.

Further, it was found that researching the market also helps a business understand what its opponents were offering. It was noted that even the best of strategies when offered to the wrong market do not go anywhere.

- **They Understand Time**

This study unveiled the fact that to operate more effectively, understand the effect of time on the business. This helps in knowing when to put and when to get from a business. For example, it may not be appropriate for a start-up business to buy a personal to holder vehicle for the Managing Director just after the signing of the first major contract. This may simply be because the business may not have the capacity to absorb such a huge cost at once. However, as the business gets grounded and operations increase, prompting the need for mobility, a personal to holder vehicle may be a necessity.

- **Growing Businesses Have Financial Plans**

It was seen that most growing business must have a financial plan. Simply stated, this helps the business prepare for the inflow and the outflow of resources.

It helps in projecting the future needs and how the needs will be addressed.

- **They Market Products or Services**

Growing businesses were found to be more active in marketing than businesses that have no growth. Marketing is about how a business places itself versus its competition. It hovers around getting your products and services known, determining an appropriate pricing structure, promoting of products and service and distribution.

## C. Areas of Future Research

During the research a number of issues arose which could call for further research. Some of the issues include the following;

- It was noted that some businesses take off with bigger plans than the level of funding they get to have access to. It is of import that an effort is made to determine how helpful funding would be.
- It was also noted that in the recent past, big conglomerates have taken their root in Zambia offering a wide range of products and services. Though this has been a plus on the end of the consumer, it has posed a serious challenge to start-ups or smaller businesses. It is therefore important that research is conducted to see how exactly small businesses can position themselves in today's market.

### *Acknowledgment*

My sincere gratitude to my wife Mwaka for always being there for me, my girls Luyando and Lumba, my boys Lubona and Chazipa for the time which I should have otherwise spent with you, my mum for the encouragement you always give me. To my Supervisor Professor Gideon Mwanza, thank you for being the best guide I could ever have had.

Above all, I would like to thank my God who is always faithful

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