

**MIDLANDS STATE UNIVERSITY**



**FACULTY OF SOCIAL SCIENCES  
DEPARTMENT OF POLITICS AND PUBLIC  
MANAGEMENT**

**Impact of privatisation on state owned enterprises' performance. Case of COTCCO  
from 2000 to 2014.**

**BY**

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MANAGEMENT**

**GWERU**

**ZIMBABWE**



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## **DECLARATION**

I Otilia T Chiveto proclaim that this research is my own work and I confirm that it has not been submitted to any University or Institution in fulfilment of any qualification.

Student.....Date.....

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**Table 1:** cotton share distribution structure

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Figure 1: target sample distribution

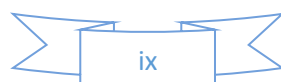
Figure 2: cotton production over the years

## **DEDICATION**



This is dedicated to my parents Mr and Mrs Chiveto my sister Rebecca Chiveto and my two brothers Nathan and Elvis Chiveto. Thank you guys for the support and I love you all.

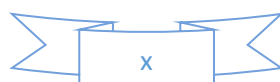
## **ACKNOWLEDGMENT**



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Above all I thank the almighty God for taking me through the four years of my study. If it was not for him I would have not managed to be where I am today.

## **ABSTRACT**



This paper is mainly focused on the impact of privatisation on state owned enterprises with specific reference to Cottco. Privatization leads to important changes in the nature and the structure of ownership of firms as well as in management personnel, which in turn significantly influence the performance of privatized firms. However the glory of the privatised cottco has been short-lived Cottco has been facing negative comments from the public within the borders of the nation. Poor performance, corruption, poor service delivery has become the order of the day to the extent that the organisation is almost closing as it now operating below its liquidation state. A number of methods were used including questioners and interviews so as to understand the causes. This study also finds that the competition resulted from the opening to foreign markets has significant and negative impact on the performance of privatized firms, the intended goals were not achieved and the welfare of the employees was undermined. Recommendations were given derived from the data that was collected.

## **ACRONYMS**

SOE	State Owned Enterprises
COTTCO	Cotton Company
ZANU PF	Zimbabwe Africa Union Patriotic Front
GMO	Genetic Modified Organisms
IMF	International Monetary Fund

## **1.0 CHAPTER ONE**

### **1.1 INTRODUCTION**

This chapter will briefly explain the background of the study, statement of the problem, objectives of the study, research questions, justification of the study, definition of terms. It will also include the methods that were used to collect data so as to come up with the required information on the impact of privatisation on cottco as well as chapter summary.

### **1.2 BACKGROUND OF THE STUDY**

When Zimbabwe gained independence the government took a socialist or a communist approach as an ideology. The ideology which was adopted was used to run state owned organizations and the state economy of Zimbabwe .It is important to note that after independence, state owned enterprises(SOES) or parastatals depended on government ,thus their operations were funded by the government as a result it caused budget deficit. The budget of 2011 showed that a number of state owned enterprises depended on government for example Air Zimbabwe, Cold Storage, Cotton Marketing Board amongst others. These entities did not made any profit, rather they strained the government as it was propounded by Chidhakwa and Kadenge cited in Zhou, transformation of SOEs to private sector makes it easy for the government to focus on other business of the nation as it removes budget burden on the government as the entities will be operating on their own.

To add on as it was mentioned above the organization did not operate as a commercial enterprise, therefore its prices, fees and cost were low and it continued to experience budget constraints or deficit and loss became order of the day year in and year out despite being funded by the government. The problems continued and privatization becomes the only answer and solution to the problems. Mr. Katsande in his report to the Cottco Chairman in 1997, he argued that the government had given Cottco a platform to determine its prices and marketing with respect to its commodities and trade. It is important to note that privatization gave the entity room to make its own decision, determine its own prices and above all the organization became flexible.

The main aim of privatization on state owned organization or enterprises is to try avoid loss in an organization and try to boost profit so that the organization will not entirely depend on government .Privatization was adopted and formulated in a bid of trying to save entities which were rendering important service to the nation from collapsing. The Cottco Company like any other state owned enterprises had to be saved since all cotton farmers heavily depend on it, hence privatization was the only way to go. It is important to note that privatization is argued to promote and improve efficiency and productivity and Cottco wasstruggling with efficiency and effectiveness. It has been noted that most public enterprises, Cottco included have been acting unprofessional and there is been an outcry from the public on how the organization conducts its business.

It has been noted that the problems these organizations are facing is because of economic difficulties which the nation is facing ,instead it is because of corrupt management ,abuse of company properties hence a solution was brought in 2009 on what needs to be done to improve the performance . In 2009 short term emergency recovery programmer was launched which was concerned with recapitalization, commercialization as well as privatization.

To add on, to what has been eluded before privatization was introduced in a bid to relief the government from the burden which the parastatals bear. The government entity was also affected by the politics of the nation for example Cottco was once forced to open depots at drought stricken area as the government wanted to gain political mileage. This move affected the central government because this is the time when the government was receiving monetary funding from the World Bank and the IMF and the depots failed to generate income, this then meant that the central government kept on borrowing and widening the debt gap and the government failed to pay the debt. After this that is when the government decided to cut the umbilical cord of Cottco and introduce privatization.

The organization when it was privatized, it had to fund itself, its operations without depending on the government. The entity was allowed to charge its prices, fees that were reasonable and would make a reasonable profit. Cottco was privatized in 1996 and like other organizations Cottco was crumbling with debts. It had over a million dollars in debt; the organization had borrowed some money to sustain its business and operations such as buying the cotton from farmers and paying up workers. Privatization of Cottco was seen as new

dawn for Cottco as it started on a new page. It is important to note that when the sector was privatized the central government took over the debt.

The argument is that privatizations can bring about efficiency and effectiveness to the organization. It deals away with “civil service rigidity” and bring out new blood and young generation with zeal to work and ambitious. It also brings in new technology which is needed to improve efficiency of the organization. Cottco like any other privatized entity continued to face some difficulties in both financing and performance. Moreover privatization is applauded for giving private investors a chance to expand into economic roles and bring about development. The nature of the private sector, enhance growth unlike the public entity which focuses on equity within the society resulting in burdening the central government. Privatization can turn around an organization empirical study which was carried out in United Kingdom in 1991 led into scholars concluding that a change towards greater self-sufficiency on the state owned enterprises is associated with an improvement in efficiency.

It is however important to note that privatization does not guarantee positive results always, this can be seen when one takes a look at the case study, when Cottco was privatized the organization seemed to be doing very well however the glory was short lived as the organization started to crumble again .The organization had high debts, workers were not being paid and retrenchment was also carried out. The company was not able to buy much of the produce; it was only buying half the produce and people ended up opting out of the industry as the price the organization used to get the produce was very low.

### **1.3 STATEMENT OF THE PROBLEM**

Privatisation has been seen as an “angel” that would save a public entity from falling however this has proven not to be correct as the intended goals of privatisation of state owned enterprise be likely to turn out into worst situations than before. If privatisation of state organisation is not given prime consideration the organisation will continue to mal perform and close, hence the author felt there is need to investigate the impact of privatisation on Cottco performance.

## **1.4 JUSTIFICATION OF THE STUDY**

- a. The study reveals the impact of privatisation of state enterprises on productivity, price and quality of service and products which directly influences inflation.
- b. Unemployment and hyperinflation so revealed gives stake holders a second thought to privatisation following recommendations made herein.
- c. The scope of privatisation of state enterprises will be enriching by findings, conclusion and recommendations for sound macroeconomic decisions making.

## **1.5 OBJECTIVES OF THE STUDY**

In undertaking this study the author has the following objectives to achieve.

- a. To understand how privatisation of state owned enterprises affected performance.
- b. To establish if privatisation achieved the intended goal.
- c. To understand the merits and demerits of privatisation of Cottco.

## **1.6 RESEARCH QUESTIONS**

- a. How did privatisation affect the performance of the organisation?
- b. Was the intended goal achieved?
- c. What are the merits and demerits of privatisation?

## **1.7 LIMITATIONS OF THE STUDY**

The study was concerned with the impact of privatisation on state enterprises performance with focusing mainly to Cottco Company. The research was limited to responses from officials form the Cottco Company and the Ministry of Agriculture as well as the farmers. The above population was chosen because the groups are either directly involved with the performance of the organisation or affected by the performance of the enterprise.

The limitations which this researcher experienced were lack of information and cooperation from the subjects of the research. Some of the information required could be classified as sensitive and confidential such that officials would not release it. Furthermore, there was lack



of cooperation for fear of victimization, another limitation was lack of financial resources and time in administering the questionnaires as the researcher would meet all the expenses particularly in purchasing stationery. The problem of restricted information was solved through using content analysis that is reviewing the existing information from books, reports and newspaper articles. On fear of victimization the researcher gave the subjects of the research an assurance that the information was to be only used for research purposes and advised that their names were not be disclosed or appear in the research document.

In the case of the limitation of financial stability and time, the researcher conducted interviews to cut on costs. Some interviews were done through the telephone to reduce time wastage. Although interviews are not hundred per cent effective as the interviewee can cancel the appointment, the researcher would telephone the interviewee first to confirm the appointment. This also saved time as the researcher was assured of meeting the interviewee.

## **1.8 DELIMITATIONS OF THE STUDY**

The research was carried out in Zimbabwe Harare in which the researcher was familiar with which made this research less challenging. It is also important to note that the research was also targeting the farmers who could speak the same language with the researcher which made the interaction and data collection quite easy.

## **1.9 DEFINITION OF TERMS**

The author will define the all-technical terms to enhance understanding and readership for example.

a. Impact.

Collins English Dictionary defined impact as force to influence result or effect.

b. Privatisation

The Internet defines privatisation as the transfer of ownership, property or business from the government to the private sector.

c. State enterprise

The internet defines state enterprise as a government-owned legal entity that undertakes commercial activities on behalf of government.

d. Performance

The English dictionary defines performance as the act of performing, carrying into execution or action, achievement, accomplishment representation by action

## **1.10 METHODOLOGY**

### **1.10.1 RESEARCH DESIGN**

Research design according to Braymann (2003) is a process of collecting, analysing and interpreting data that has been researched. This research is based on descriptive research. This design was used because it reduces cost for the researcher and brings out relevant information for the researcher. Last but not least the descriptive design also gave the author a room to summarise the data which was collected. Descriptive design is backed up with quantitative and qualitative techniques. Quantitative technique is scientific based method of collecting data. It is based on empirical evidence which is important for verification of data. Qualitative is based on personal interaction which is achieved by using interviews. This method is prone to distortion of information by the researcher, therefore both qualitative and quantitative under descriptive were used to collect data as they complement each other.

### **1.11 SOURCES OF DATA COLLECTION**

#### **1.11.1 SECONDARY DATA**

The researcher used data which was obtained from a number of different publications such as minutes of management meetings, newspapers, annual reports, internet journals. The use of secondary data analysis is not time consuming and in the case of quantitative data, it provides larger and high quality results that would be difficult to obtain individually as a researcher.

However some documents were not accessed as they were regarded to be private and confidential. It is also important to note that when one is carrying out a social and economic research it is impossible to capture past changes or developments without using secondary data source.

### **1.11.2 PRIMARY DATA SOURCE**

Data was collected from the targeted population, which comprises of Chief Executive Officers, Directors, Managers, Ministry of Agriculture officials and ordinary farmers using interviews and questionnaires.

## **1.12 INSTRUMENTAL: TECHNIQUES OF COLLECTING DATA**

This research was carried out using number of data collection techniques in order to gather primary data from the targeted population.

### **1.12.1 INTERVIEWS**

This is a way of gathering information through verbal interactions face to face discussion with the respondents.

### **1.12.2 INTERVIEWS PROCEDURE**

The researchers interviewed the CEO of the privatised entity. The interviews were meant to get useful information on how privatisation was implemented. Monitored, how it changed the organisation, what was the organisation like before? To add on the interviews were also meant to gather personal evaluation of the CEO on challenges of privatisation.

Interviews were chosen because it gives room for the interviewee to open up without fear, it allows or give immediate feedback which permits the interview to make follow up of the answers given and it obtain greater clarity and it also gives more data than what the researcher has anticipated.

### **1.12.3 QUESTIONNAIRS**

Questioners are a systematic laying down of question that is aimed to get information on a particular thing from different individuals or people. The main reasons for having questioners is to obtain information from the targeted population on how they feel about privatisation, their opinions, complaints and views and what challenges are they facing or had faced as a the employees of the organisation.

The questioners were used because the CEOs were not always available for interviews and it was not possible to visit them and do interviews because of limited time.

The questioners that were used, both contained open ended questions to avoid sloppy question that would be boring to the responded it also increased the response rate. Open ended questions were also used and this gave out important information that was not anticipated by the researcher. The questioners were distributed out of the CEO's office of the organisation and then it was distributed to the responded using the entity's internal mailing system. This method was used in a way of trying to minimise the disadvantages of the questioners, thus to minimise cost.

### **1.13 TECHNIQUE USED**

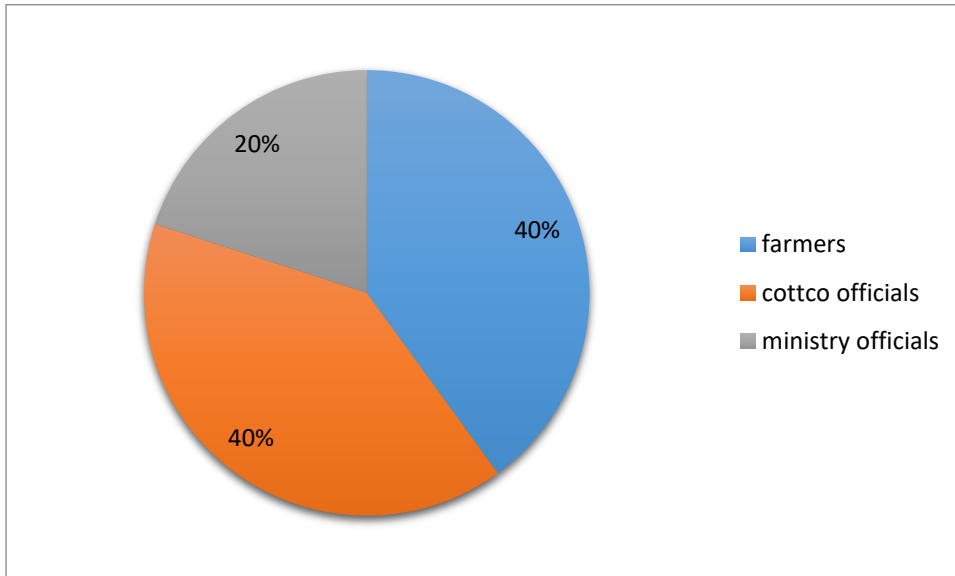
#### **1.13.1 SAMPLE POPULATION**

Little population was chosen from larger population. This method was adopted as it cheaper than the large population. However it is important to note that the larger population is more representative.

### 1.13.2 POPULATION

#### TARGET SAMPLE DISTRIBUTION

FIG 1



#### Primary source

The above fig shows how the population that was targeted as to obtain adequate information farmers were to contribute 40%, the Ministry of Agriculture was to give 20% and Cottco officials were to contribute 40%

The researcher targeted people who were or still affected by privatisation and above is the table that shows the population. Their views or the data that was collected then was used and generalised to the whole population.

### 1.13.3 ETHICAL CONSIDERATIONS

During the data collection, the protocols of Cottco and values and ethics of the respondents were followed, considered and honoured by the researcher. Use of foul language during and after the research is considered as unethical.

## **1.14 CHAPTER SUMMARY**

In this chapter the author has laid the technical layout of the investigation, the background of the study, statement of the problem, objectives of the study, research questions, limitation and delimitations of the study, justifications of the study and definition of terms as well as the methodology. The conceptualisation of the study will be enhanced in chapter two where literature will be reviewed from several scholars who investigated similar problems previously.

## **1.15 CHAPTER OUTLINE**

Chapter one focuses on the background of the study, what happened before what has caused privatisation to take place? The researcher in the same chapter will highlight what the research meant to cover by pointing out the objectives of the study as well as trying to ask questions about privatisation so as to understand the impact of privatisation. It is important to note that in the first chapter the researcher also looked at the methods that are going to be used to acquire the relevant information about privatisation, these methods include both qualitative and quantitative methods.

In chapter two the researcher paid particular attention to the other work of scholars or literature that was already put forward in trying to understand privatisation. The researcher looked at objectives of privatisation, disadvantages and advantages, things that can influence the implementation process of privatisation. In this chapter the researcher also looked at the theories that emerged in a quest of trying to explain privatisation. It is important to note that the researcher paid particular attention to two theories, thus the contingency and agency theory. Empirical evidence was also noted in this chapter.

Chapter three is about presentation of data that was collected as the researcher laydown the findings on the impact of privatisation on cottco. Third chapter brings out effects of privatisation on cottco performance, attainment of the intended goal, and also looks at the future of the organisation under privatisation. The researcher after laying down the findings went on to analyse the data that was collected.

Last but not least the last chapter, thus chapter four looks at the conclusions that were drawn from the data that was collected as well as offering recommendations on how best the problem can be rectified.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

In this section, the researcher is focusing on what other scholars have said about privatisation in brief. The author will highlight the advantages and disadvantages of privatisation, what is privatisation, objectives of privatisation challenges that were faced during the implementation. The author will also look at the theoretical frame work of privatisation, theories that emerged in a bid to understand privatisation of public enterprises. This chapter will also try to highlight the gaps between the views of other scholars and the researcher.

According to Tsvere (2008) literature review is a description and an overview of what other scholars think concerning the study. Ngezi, (2008) concluded that, the idea to be necessary it need to identify the gaps within the study. It is important to note that a good research is grounded on the failure of other authors to bring out the important aspect of their researches; hence this chapter seeks to review thoughts that have been said out concerning privatisation of state owned enterprises.

#### **2.2 WHAT IS PRIVATISATION**

A number of definitions he been recorded in order to understand what is privatisation. According to P Waterhouse (1996) privatisation is practise which is adopted to enhance the performance of the organisation. Thus making parastatals operate in more business environment. Former reserve bank of Zimbabwe Dr Gono(2007) defined privatisation as a way of reforming the organisation procedures so that the organisation operate on a more profitable manner.

The above definitions simply entail the transferee of government owned companies to private owned. The private can be either foreign investors or indigenous citizens. It is important to note that there is been a miss definition between commercialisation and privatisation therefore the researcher feels that there is the need to differentiate the two as the study continues. According to Dr Gono commercialisation entails reformation of the organisation. Commercialisation takes place before privatisation.

## **2.3 OBJECTIVES OF PRIVATISATION**

The wave of privatisation hit the world from the mid 1960s up to the 1990s as corruption inefficiency, political appointment to a neutral role of the executive managers on state owned enterprises become the order of the day. Decreasing of competition among the organisations and this weakened the economy the country. In Zimbabwe, citizens lost trust in the government the organisation was collapsing and it needed to be saved. It is important to that the objectives differs from one country to another, however it cannot be denied that lack of local entrepreneurs, the desire to remove the burden on central government, stabilising the public finance are part and parcel of the objectives of any country taking up privatisation. Below are the major objectives according to Dr Gono the former R.B.Z governor.

### **2.3.1 STABILISATION OF PUBLIC FINANCE**

Chidhakwa and kadenge (2004) stated that there is the need to reform the public State Owned Enterprises (SOE) to reduce the burden on central government, as it is the one that funds the operation of the SOE and give these entities a chance to function in a profit making setting. The government had to bring in privatisation in order to redeem the central government from huge debt as well as loss. These problems also made it difficult for the organisation to offer good service as the government was on huge debt from the World Bank and the IMF. DR Gono lamented that privatisation was in the plans of the government since the introduction of the economic reform in 1991. He argued that every document which was economic shows that privatisation was a prerequisite for stabilizing public finance, for example in the budget statement of 1996 H.M Murerwa announced that after looking at the major problems of budget deficit it was concluded that the main cause of budget deficit is the loss that the government parastatals were experiencing . DR Gono concluded by saying that the main objective was to release the government from funding the public owned entities.

It is important to note that as alluded in the background of the study the government embarked on a socialist form of government when it gained independence, this meant that the state owned enterprises were depending on the central government for its survival from the Health sector up to the Agriculture sector. This become too much on the government as the



economy of the nation began to crumble; the government was in big debt. Privatisation came as a solution for stabilizing the public finance.

### **2.3.2 IMPROVE OPERATIONAL EFFICIENCY**

P Waterhouse (1996) put in motion the idea that the purpose of privatisation was to bring out facilities and actions that would benefit the organisation one way or the other in the following manner

Reduction of cost

Increasing income

Boasting the produce

Better service

It is important to note that by the time of privatisation the organisation was not performing up to stands and inefficiency became the order of the day, therefore privatisation would aim in increasing efficiency resulting in profit making and reducing loss of the organisation. by increasing the income it will be a huge advantage of the organisation as the revenue would also be increased as well as the income. The profits that are going to be made can be used in funding other operations of the organisation and boast the capacity of the parastatals.

To add on, if the operation is increased it can lead to a good service, thus efficiency delivery and satisfaction of a customer means that the organisation is stable. If the service production is excellent then so is the efficiency. According to Thompson and Strickland(2003) risk management is necessary when an organisation which gives service to the nation is in trouble change should be made. It is vital to put into cognisance that the state owned enterprises that were privatised were rendering important service to society and the nation as whole and there was the need of saving the organisation from collapsing.

### **2.3.3 REDUCING THE ROLE PLAYED BY THE GOVERNMENT IN THE NATIONAL AND ENCOURAGING PRIVATE SECTOR PARTICIPATION**

Chidakwa and Kadenge (2004) pointed out that privatisation was concerned with deregulation of the economy, trade, liberation of the parastatals. The government had to deal

away with economy of the state and pay more attention to the operations of day to day business of the state. Privatisation paved way of reducing the influence of the government. Privatisation also gave the organisation a chance to compete on international markets and national markets with other profit making entities through deregulation and liberation of trade by the central government.

### **2.3.4 INDIGENISATION OF THE ECONOMY**

Z Tambudzai(2002) say that one of the key objectives of privatization in Zimbabwe is to achieve economic empowerment of the indigenous population as they are given a chance to own some shares on the entities that would be privatised.

To add to on to the above specified objectives some scholars that praise privatization such as Mosson, (2008) argues that the government run businesses poorly and the only interested on the business when it is political involved. He goes on to show that the reason why privatization should be implemented is that governments run businesses concerned with social goal instead of business goals. The private owned enterprises turn to raise more capital in the financial markets than public held enterprises. Clarke (2010) shared the same sentiments with Mossson (2008), he argued that nationalized entities are vulnerable as they can be easily influenced by politics. This is very relevant with the case study at hand, Cottco once opened a port in drought stricken areas as the government wanted to win elections, these action are true reasons why the organization perform poorly, therefore the government influence on state owned enterprises should be eliminated by introducing privatization, or at least be minimized.

Furthermore, BelGerma (2006) he propound that the most reasons for privatization is the lack or scarcity of resources. If government is running the enterprises and are not making any profits that means funds will not be available for other entities that depend on the government. This will result in other entities not getting any funding, thus making it difficult to raise capital and being more able to create employment. According to Kosar (2000). Government does not have enough funds to run the enterprises whilst private sector has enough finds to run the organization and the private sector does not perform well it will lose the organization. Their theory argues that privatization gives room to the much needed objective of privatization which is effective market economy.

## **2.4 CHALLENGES OF IMPLEMENTATION**

Privatization's success is determined by a number of factors Lorange highlighted these factors as external and internal factors. It is important to note that according to Hopper et al (2004) if the environment is ideal the privatizations implementation will be a success, therefore a number of factors need to be considered, keeping in mind the objectives of privatization.

### **2.4.1 POLITICS**

Change in politics, legal framework and government the organization in this case Cottco was privatized in 1996 the time of ESAP it is important to note that there were number of political ideologies and these ideologies kept on changing, this made it difficult for private sector as it had to change to fit into the new environment. Stoner and Freeman (1992) assert that it is necessary to have the knowhow of the external environment that surrounds the organization, so as to give the organization an opportunity to freely interact with the government, labor union and other groups. It is important to note that when privatization was introduced the government was fully involved in the economy and ZCTU, labor union was being led by a military and was much protective to the customer. The enterprises which were being privatized faced the challenges of trying to get hold with their stakeholders.

### **2.4.2 ATTITUDE**

According to Stoner and Freeman (1992) managers faced the challenge of the societal value and attitude. They are two major challenges that were pointed out and they attitude in growth and challenge of traditional expectations of strong commitment and performance on the strong commitment and performance on the part of organization members, the manager has to strike a balance and change in attitude and greater sense of commitment. The managers therefore need to ensure revenue growth and commitment for a well done implementation of privatization.

### **2.4.3 POWER SHIFT**

They are number of growing pressure and interest groups outside the organization .Stoner and Freeman (1992) argue that the organization observes these groups and in a way try to minimize the influences of the these pressure groups by trying to operate in a neutral environment. Entities therefore are inclined to operate according to the rules and regulations of the interest groups such as affirmative action group of indigenization people of Zimbabwe. Whatever privatization option, they adopt these pressure groups wanted to see the government doing it for the sake of indigenous people, this was hard that they had to face a headlong and shift their resources to these perceived needy areas by these pressure groups.

#### **2.4.4 TECHONOLOGY**

Technology is ever changing and the organization has to keep up with technology changing and adopt their technology knowledge and skill. Stoner and Freeman (1992) said strategit have to be fully update as far as technology is regarded. This shows the vulnerability of technology. Technology is also a challenge to entities that have adopted diversified new products and development in their privatization.

#### **2.4.5 CULTURE, RACE AND ETHNICITY**

In the implementation of privatization the idea of cultural polies is usually ignored, privatization is new to the most countries especially developing countries since this is a western idea its values differs from one country to another. Workers are expected to blend in to the private sector operations and as work begin the spirit of homogeneity will spread and employers and employees will co-exist and deal away with their culture, race and ethnicity differences.

#### **2.4.6 STATE REGULATION**

Hopper and etal (2004) is of the view that state has a great influence on the implementation of privatization. It is important to note that the state was an employer and control the GPD before privatization. The state is limited by no capitalist cultural factors and this limitation will give a room for the organization to act as an independent entity that would yield efficiency and effectiveness.

The ESAP by the World Bank paved away of limiting the involvement of the central government on running SOE. Private sectors is believed to turn around the failures of SOE into successes. Government regulation are still paying a pivotal role on the privatized entities decision making and this will cause conflicts between the government and the private sector Marcias (2002). If the state is going to be involved, then its role should be creating a conducive environment for implementation of privatization. The involvement of government also turns out to favor other entities, therefore the involvement of the organization should be limited.

It is important to note that their other external challenge that were faced when implementing privatization and according to Lorange (1992) are inflexibility, parochialism, Executive Obsolescence, organismal culture, power amongst others that have been alluded to above.

## **2.5 FORMS OF PRIVATIZATION**

They are quite a number of forms of privatization and the following forms were put forward by Evan:

### **2.5.1 CONTRACTING**

Contracting is when the government get into a pact with the private sector for profit or not. Upon signing the pact the government state the terms and conditions in which the private sector would adhere to. This simply suggest that the government provide funds to the private sector to render service to the public. This is one of the oldest model or form of privatization

### **2.5.2 VOUCHERS**

Evan (2011) is of the view that vouchers are given different service provider and those who are capable of providing the service required would get the tender. This form of privatization would give the government a chance to monitor and lay out its expectations whilst giving an opportunity to the consumer to choose their own service provider.

### **2.5.3 PUBLIC-PRIVATE OWNERSHIP**

Evan defines this form of privatization as a way of developing a business friendship between the public sector and the private sector. This agreement suggest that both parties are concerned with providing service to the public and they do it interchangeably. This form

usually works when the public sector have human resources problems and can work together to achieve the same goal.

#### **2.5.4 FRANCHISE**

Franchise is one of the forms of privatization that never escapes mention when one is looking at the forms of privatization. Evan (2011) views franchise as when the private sector is awarded an opportunity to offer service a number of consumers in a certain area, however the consumers should choose one private sector.

#### **2.5.5 GRANT AND SUBSIDY**

In this form the government enters into a contract with a private company which the government would partly sponsor in bid to reduce the burden on the government on the government. This form does not only benefit the government but also helps the growth of the private sector.

#### **2.5.6 ASSET SALE**

The government in this form of privatization sell its resources such as land, buildings to a private company in a quest of improving the government in come as well as the revenue. It is important to note that this form of privatization is very effective when the government has an asset that is on demand.

#### **2.5.7 VOLUNTEERISM**

In this forms as Evan put it the government depends on the organization that would be willing to offer help in form of labor, usually this form of privatization is done by the nonprofit organizations.

#### **2.5.8 PRIVATE DONATIONS**

Private donations entails a situation whereby the government trust on private will wishers to contribute in offering service to the public. The contribution can be in a form of monetary funding, labor and equipment as well as qualified human resource.

### **2.5.9 SERVICE SHEDDING**

Evan (2011) is of the view that in this form the government seize to give service to the public in a way of giving a private sector an opportunity to operate freely.

### **2.5.10 DEREGULATION**

Evan argues that in deregulation the government discontinue to render service so that the private sector can offer service and this form of privatization enhance competition amongst private sector entities. According to Zachary (2002) this form of privatization allows the government to remove price and it also deals away with political interference.

## **2.6 POSITIVE EFFECTS OF PRIVATIZATION**

A number of factors have risen to show the positive privatization these effects includes

### **2.6.1 IMPROVED EFFICIENCY**

The main objective that is brought forward is that privatization can enhance profit and reduce the expenditure. The government is believed that it spend more than it produces whilst private sector are profit oriented hence it increases the efficiency of the organization.

### **2.6.2 LACK OF POLITICAL INTERFERENCE**

The way government manages organizations is normally influenced by politics and the government as a result the service delivery is poor. It is important to note that as it was said on earlier in the own going literature review, government is concerned with social services, thus it employs people who are not qualified for the job and some time in a quest to gain political mileage the government turn to overstaff. The private sector is free from political interference and when the private sector employees it use contracts and this deals with over staffing.

### **2.6.3 SHORT TERM VIEW**

The private sector focuses on offering good service to the consumer and in that case it attracts good shareholders. It is important to note that if the government under performs it will lose its stake holders.

#### **2.6.4 INCREASED COMPETITION**

Privatization gives more room to other organization to venture into the same business and this will stir up competition amongst organization. Competition amongst organization means increment in performance of the organization.

### **2.7 DISADVANTAGES OF PRIVATIZATION**

#### **2.7.1 PUBLIC INTEREST**

SOE offer important service to the public therefore profit making should be the least of the of organization priority. Service delivery must be the top priority of an organization .It is important to note that privatizing of SOE meant that public interest is not considered.

#### **2.7.2 GOVERNMENT LOSES OUT ON POTENTIAL DIVIDENDS**

Most of SOE are profitable and them by being privatized the government would losses some income to individuals who do not have the interest of the nation at heart.

#### **2.7.3 PROBLEMS OF REGULATING PRIVATE MONOPOLIES**

It is important to note that private creates monopolies. These private entities need to be monitored to guard against abuse of power therefore the government regulation is needed.

#### **2.7.4 FRAGMENTATION OF INDUSTRIES**

Privatization may led into breaking down of SOE into small companies this will led unclear responsibility.



## 2.8 FORMAT OF PRIVATIZATION IN ZIMBABWE

According to Zhou privatization in Zimbabwe was in two phases the first was from 1991-1995 and this level left the government in full control. It is important to note that in this phase discretion was still there, by the end of ESAP era no state owned enterprise was ready for privatizations and the enterprises continued to face these challenges of debt, incompetence, inefficiency and loss. The second phase started under ZIMPREST. Policy frame work in 1996. Privatization at this stage in Zimbabwe received protest from all the comers of life and top official under the leadership of Tavengwa Solomon were dismissed as they protested against privatizations. A number of groups were involved including ZCTU which was fighting for the welfare of the employees after change of management. On the other hand the World Bank and IMF were busy looking for state owned enterprises which were to be privatized.

The Cottco Company was privatized using the over the counter share offer and below is a table which shows how the organization was privatized

### 2.8.1 COTTON SHARE DISTRIBUTION STRUCTURE

**TABLE 1**

<b>CATEGORY OF SHARE HOLDERS</b>	<b>PERCENTAGE</b>
Small scale Cottcon growers	20
NIT	10
Large scale cotton growers	10
General public	15
Institutional investors	15
Employees	5
Government	20
Total	100

**Primary data source**

The above table shows how privatization of cottco was carried out. However the government in 2011 gave away it's 25% share and the organization was fully privatized in 2011.

It is important to note that this method did not favor the majority, people were not educated on how privatization works and time was not enough to educate people. The elite indigenized people are the ones who benefitted. Over and above the privatization of Cottco had a negative impact on ensuring ownership, it ended up taking too much than what it produced. This was as a result that privatization was not supported by a strong private pan as it was prone to manipulation.

Opponents of privatization such as Srague (2007) had already foreseen the problems of privatization and had propounded that it's not advisable to late the private sector own the public enterprises because private investors are mainly concerned with profit than the welfare of people and the nation at large. It is important to note those who run public sectors have pursued their own interest than that of the organization. This is evidently shown in the privatization of Cottco as they took more than they could offer and there was a problem. according to Roger (2007) it's impossible to have completion when monopoly still exist amongst organization and profits that are made would be for personal interest instead of a common good, hence privatization is not desirable it is much better for the government to keep on running its entity and if the organization is in trouble the government will be able to borrow and keep the organization on float unlike in the private sector such option is not accepted. This is supported on what is happening at the Cottco Company as it apply to be under jurisdiction has it failed to maintain Its operations.

According to Sprague (2007) if public entities are privatized a problem can raise between service maintained and profit, therefore as a way to curtail the conflict the private can cut on staff or employees to maximize their profit making the private sectors is more concerned with profit then the welfare of the workers. It is important to note that when Cottco was privatized few years down the line according to Zhou Cottco retrenched its employees from 3000 to 500 employees and there were not given any package and they had to look for other means of survival. Permanent jobs were replaced by contracts, job security was lost, cost sharing scheme led to farmers paid little money for their cotton he went on to say that privatization does not usually work out because of the political nature of the country in

Zimbabwe everything is politicked and appointment of executive leader of the organization according to their political affiliations and as well as corruption.

## **2.9 EMPIRICAL EVIDANCE**

Over the years all over the world see the whole world adopting privatization. The countries who adopted privatization where the nations that were developing and who had governments who could not sustain the operations of state owned enterprises, below they are two empirical states who adopted privatization.

### **2.9.1 ZAMBIA**

When Zambia gained independence it had 14 government owned entities and the number increased to 150 by 1986 and the number rose to 150. It is important to note that as the number grew the government could not keep on running the organization, few entities were being profitable hence privatization was introduced.

The privatization process followed the legal regulation between the government and the private sector. According to G. Gono in his paper he outlined the process in which the independent board with the help of parliament was presented when the companies which were going to be privatized the Zambian privatization agency took over the process and the deal was sealed. Privatization in Zambia improved profits from those privatized entities, produced indigenous entrepreneurs; growth of private firms and markets grew locally and sub regionally. However it is also important to note that privatization also brought lessons in Zambia and these lessons includes that when government needs to embark on privatization it has to start from small enterprises and go to big companies when they have gain the knowledge and experience, there is need to distinguish the role of the government and that of the private sector and to put the needs of the public first among others.

### **2.9.2 KENYA**

Since independence up to the late 1970s, the Kenyan government adopted a mixed economic policy whereby the private sector and government operated side by side. The main objectives of the government were achieving faster economic development, regional balance local participation. It is when the Kenyan government realized the state owned entities were not

achieving the objectives and it embarked on privatization. The program began in July 1992 with a committee which was overseeing the program, the committee was in charge of supervising and co-ordinate reform program in general, to give final acceptance for the sale of public properties amongst other responsibilities the government also formed another committee known as the Executive Secretariat and Technical Unit which was concerned with the implementation and process of privatization.

Kenya issued a list of a number of methods of privatization and amongst them, she listed sale of share by private placement, leasing or warding of management contract and private investment in enterprises to mention but a few. Benefits that Kenya experienced as a result of privatization includes improved profitability and efficiency, economic growth under the leadership of private sector, burden on the central government was removed.

## **2.10 THEORETICAL FRAMEWORK**

They are number of theories that emerged in trying to explain privatisation. This researcher is based on two theories, thus the agency theory and the contingency theory

Agency theory according Eisenhart (1989) cited in the Journal of Management and Practise, the theory is concerned with managing principle relationship. This mean that the government is the principle and private sector is the agency in privatisation. It is important to note that the government is usually or more concerned with the social welfare of the citizens by maintaining high level of employment, economic growth whilst private sector has a different objective altogether. The theory argues that the private sector is mainly preoccupied with maximising profit. It is important to note that a conflict can be triggered if the government and the private sector have a conflicting or competitive aims. In order to guard against emerging of conflicts between two parties , both parties should get into a legalised agreement that would protect the interest of both parties , thus guarding the interest of the public and guard against the opportunistic behaviour of the private sector. This is of the view Thathuman that private sector nature is self-centred Eisenhart (1989) and Williamson (1966), therefore a country should have rules and regulations to minimise agency conflicts. According to heather cited in Journal of Management the central government can minimise the problem by usage of the legal ways,

Whilst the agency theory talks about the conflicts amongst the government and private sector, the contingency pays attention to the environment. The theory argues that the environment plays a fundamental role in privatisation therefore privatisation police makers should be able to study and minimise the environmental factors that would be hostile to the implementation. Child (1972) lamented that contingency theory seeks that the police implementers creates an understanding environment in which privatisation takes place and should be able to control it. It is important to note that they are many ways to privatisation therefore a country can privatise using a format that is favourable to its environment. Smirch and Sturbort (1988) cited in Journal of Management, efficiency and effectiveness of privatisation is based on the basic, should reflect to the socio-cultural values and norms of the state.

## **2.11 THE GAPS IN LITERATURE REVIEW**

They are number of gaps that the researcher felt that needed to be covered, hence the desire to study the question at hand. It is important to note that the privatisation is defined as an economic policy reform, in truth the concept of privatisation is a political policy which is mainly focusing on reducing the power of the government and the number of entities that the government controls, thus decentralisation of power, this concept of politics is clearly shown on how many political officials or ministers benefit from privatisation. The other gap is that the theories failed to bring out the difference between the impact of privatisation on state owned enterprises and other internal problems that the organisation faces that has nothing to do with privatisation that causes the organisation to mal perform such as the economic strains of the state, incompetence of the employees, last but not least the researcher noticed that the main appraisal of privatisation is that it boast the performance of the entity, however this is not a lie it is true but there is need to consider that these countries differ from one country to another they adopt different methods of privatisation, hence the results are not universal rather they differ from a state to state no wonder why some countries had recorded a success and some a failure.

## **2.12 CHAPTER SUMMARY**

In this chapter the researcher looked at the literature review that has been put forward by other scholars as well as theories that support their views. The main issues that were raised

were that privatisation is necessary for the organisations that were not performing well as privatisation enhance performance. Opponents of privatisation were also highlighted in this chapter as they critically oppose privatisation as it brings more harm than good. Opponents of privatisation argues that the government knows that the reason of their existence it is because of the people if they are to run an organisation they will put the need of the nation first before of the organisation, whilst the private sector is more concerned with making profits at the cost of the public. Theories that were also discussed shows that if the government and the private sector were to work together problems will rose therefore a strong and legal framework should be created to guard against such. The implementers should also create a conducive environment for privatisation to be successful.

### **CHAPTER 3**

#### **3.0 DATA PRESENTATION AND ANALYSIS: IMPACT OF PRIVATISATION ON COTTCO**

##### **3.1 INTRODUCTION**

In this chapter the researcher will collate, present, analyse and interpret data collected using questionnaires and interviews.

- Data obtained from directors, senior executives and managers;
- Data collected from the farmers or clients of Cottco
- Data solicited from Ministry of Agriculture

Analysis and evaluation of responses from questionnaires, interviews and personal observations of the author will be done under this chapter three. Social differentiation of respondents by gender, age, qualification and experience will be done.

The outcomes are divide into sub sections in which the issues were raised during the research. Impact on performance, attainment of the goal, implementation process, the future of the organisation as well as the changes that were brought as results of privatisation.

##### **3.2 THE RESULTS OF THE RESEARCH**

Participants in this survey were randomly picked for the following reasons

### 3.2.1 COTTCO EMPLOYEES

This the group of population that has been affected by privatisation and have also witnessed the impact of privatisation on the organisation as a whole as they work closely with the organisation. Their information was relevant to the research at hand as it would give a clear conclusion to the author. The total number which the researcher targeted was 40%

### 3.2.2 MINISTRY OFFICIALS

The reasons for this population was that it was the one that had information on the process of implementation, as well as the monitoring of the policy. It is important to note that the ministry works as the controller of the organisation. The targeted population was 20%.

### 3.3 RATE OF RESPONSE

**Table 2**

<b>RESPONDENTS</b>	<b>TARGETED NUMBER OF RESPONDENTS</b>	<b>FREQUENCY OF RESPONSE</b>	<b>RESPONSE RATE AS A PERCENTAGE</b>
Ministry officials	10	4	40%
Cottco officials	10	10	100%
Farmers	10	8	80%
<b>TOTAL</b>	<b>30</b>	<b>21</b>	

There was 40% percentage response from the ministry of agriculture, the cottco organization managed to answer all the issued questioners and obtained 100% and the farmers manage to a respond and 80% was obtained from the farmers

### 3.4 DATA PRESENTATION

### **3.4.1 IMPACT OF PRIVATISATION ON COTTCO'S PERFORMANCE**

The response shows that the privatisation had gone through phases in which the first phase of privatisation marked the financial stability of the organisation, productivity increased, farmers were paid on time salaries for the employees were fair. However the fairy-tale did not last long as the company started to face challenges and according to the responses this marked the second phase. It is in this phase were the organisation started to experience problems.

70% of the response agreed that privatization induced the spirit of debt within the organization, ever since the problems started within cottco it emanated as a result of debt. According to the answers that were received from the interviews and questioners 75% agree that debt is the major enemy of the organization. The company is believed to be in over 48 million US dollars debt against an asset base of 36 million US dollars. This debt is as result of many factors which includes, the failure of the farmers to pay their loans and as a result the organization has to be write off the farmers' loans and start all over again. According to the responses given this does not bring in profits to the organization rather it cause profit loss in the organization.

The other reason that was noted as the reason of this huge debt is that the organization would receive a loans from its donors such as BANC ABC and NFB from South Africa during the beginning of the season so that it would fund the farmers and the operations of the organization as a whole, however one particular employee argued that instead of the organization to use the loans for the intended goals they mismanage the funds and buy cars for themselves instead. He went on to argue that the problems of the organization started way back but the management and shareholders were too reluctant to solve the problem they tried to maintain the "blue chip status". According to him this increased the debt of the organization when the paying time is up the organization failed to pay back its loans and the farmers also fails to pay up and this widened the debt gap and this the reason why two former CEOs of the organization were fired at the bases of corruption.

Introduction of privatization also undermined the welfare of the employees. It is important to note that privatization led to retrenchment of employees. 80% argued that their salary were not coming on time. During the time of data collection by the researcher the workers were receiving their February salary. Some employees were retrenched and were not even given



any packages and they were crying foul as this also affects their family. However the management refute the assertion of retrenchment of the workers, the management argued that the retrenchment was actually as a result of ESAP which came into place the same time with the privatization of the organization. The other reason that was also highlighted was that the government had employed unnecessary staff so this was causing loss of income to the organization. The management argued that the organization tried to minimize retrenchment by introducing contract employment system. Retrenchment of the worker also caused the business units to close from 9 business units to 3 business units the cotton production has been reduced from 250 000 tones to 40 000 tones, thus declining of the organization performance.

The management argues that privatization has been the best thing that has ever happened to the entity, if the entity was not privatized in 1996 it would not have not survived up until today on the question of privatization being a good idea. The management response shows that the organization is failing or has failed not because of the privatization policy rather it is because of the financial instability of the nation as well as the high inflation that has caused the downfall of the organization. 100% of management argued that the organization was privatized in 1996 and the government remained with 25% share until 2011 when the government decided let go of the shares. The agreement of this population is that the government, realized that the entity was making profits and the government did not see any reason or reasons rather of holding on to the other shares hence the organization was fully privatized in 2011 and it was performing very well until the nation was economic unstable and inflation was high and every industry in the nation faced survival challenges. The interviewee concluded that the failure of the organization has nothing do to with privatization rather it is the economy of the nation, had the organisation has not been privatised it would not survive up to today.

80% of the farmers lamented that their welfare is being undermined, cotton is being sold at a very low price. The amount that these farmers put in growing cotton is too much than what they are getting at the end. What this respond entails is that farmers are not making any profits and they are always in debt and cannot afford to pay up their debts as they fail to pay up their loans. One member of the farmers' Association who was bitter that cottco is treating the farmers as slaves “*zvaunoona mwanangu cottco yavakuona varimi vedonje sevaranda*

*chaivo. Mari yatinopiwa nesimba ratinoshandisa hazviendarane, zvisinei samba mukaka rinosinina”.*

### **3.4.2 ATTAINMENT OF THE INTENDED GOAL**

70% quickly agreed that yes the goals were achieved although it did not produce all around a positive impact on the organization. Privatization indeed brought about competition within the industry and Cottco’s major competitor is Cargill, however this has resulted in a big problem that has not affected Cottco alone but the whole cotton industry which is side marketing. The field works shows that the farmers were no longer holding on to their contracts when they were selling their produce. Farmers are supposed to sell their produce to the company that has funded their farming but they have a tendency of buying on other companies this has affected the service delivery of the organization. The marketing department of the organization highlighted that some farmers will go as far as changing their names when they are getting the funds to grow cotton for example the farmer would be funded using his name and when it’s selling time the wife’s name will be used. The answers also brought out the issue of competition as new members entered into the farming. Indeed competition raised the cost of the cotton seed for the producers but the overall price was not idle.

A number of strategies have been adopted in a way of trying to resolve the issue of side marketing. These strategies include organization has come up with a data base where all farmers are reflected their affiliation and when it is time to sell the produce all companies will be there and a representative of CGA and AMA regulating board.

The Ministry of Agriculture also highlighted that privatisation also introduced competition to the cottco organisation and its biggest competitor is Cargill and as cottco failed to honour its contracts with the farmers side marketing rose and this has marked the fall of the organisation as both the organisation and the ministry tried to solve and come up with strategies on how best the way can rectify the problem but still nothing was done.

80% respondents from the Ministry of Agriculture also showed that the production of cottco declined over the years and the 2015 produce does not even look good either. The produce is as little as less than 140 000 tones comparing to the 350 000 tones than the country can

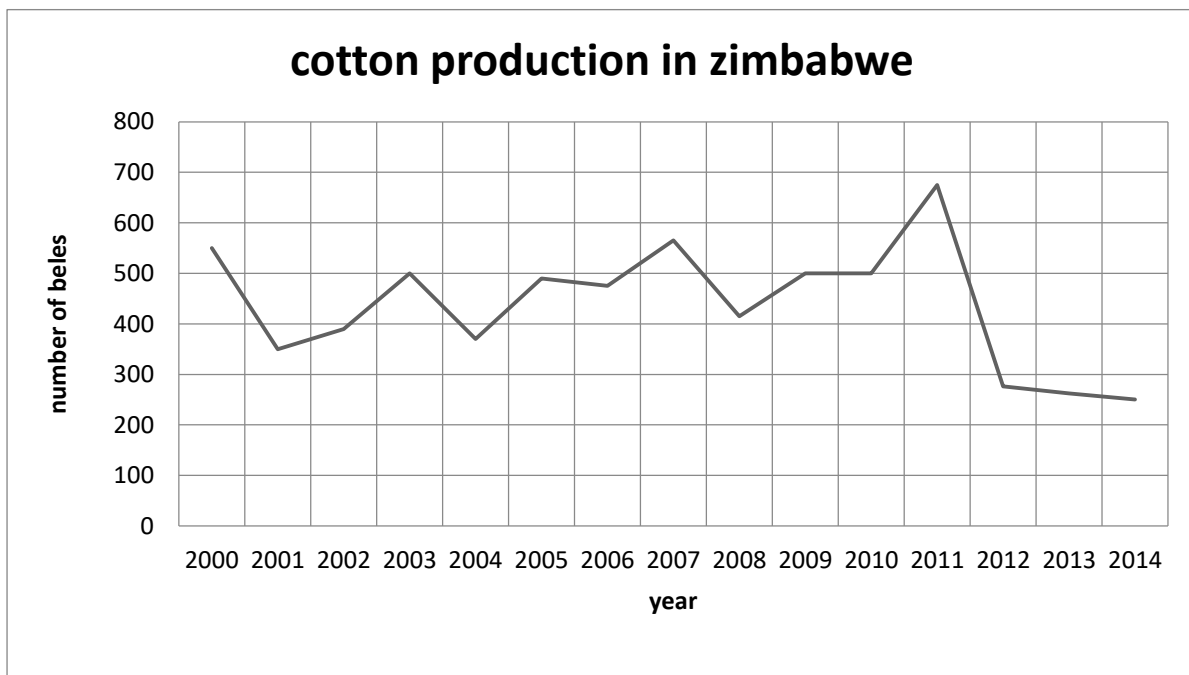
produce. In the international market the Zimbabwean cotton had decline from number 27 to number 192. This interview showed that privatisation failed to achieve the intended goal instead of bringing out the best in the cotton production industry it acted as the catalyst to the fall of production of cotton. The answers also highlighted that privatisation could not improve the performance of cottco. The Zimbabwean cotton was the best in Africa but it has lost its credibility.

Another point to note is that the aim of privatization was to deal away with the interference from external factors including the politics of the nation as well as interference from the government, however the data collected also made it clear that the organization is not independent enough to make their decision without the interference from the political arena, 66% agreed that the organization is not independent enough as it continue to face the challenges of being detected on how the organization should be managed. One responded (name withheld) gave an example of the incident whereby Sino Zimbabwe was accused of buying cotton from farmers who were contracted to Cottco using political people such as Ministers and ZANU PF youths. This does not only affect the company internally but also external relationship. The respondent lamented that it seems as if the government has another companies that they want to benefit at the expense of other organizations.

The main thrust of privatisation was to indigenise the local people of Zimbabwe however the responds showed out that privatisation undermined the existence of cotton especial the relevance of cotton to the growers Cotton has been crop of reducing poverty for rural areas population and some commercial farmers and the privatisation of cottco undermined the welfare of farmers as the removal of subside also had a negative impact on the performance of the organisation as the organisation stopped funding the farmers and the cost of cotton began to fall. The Cotton has been the major source of income for most of the rural people in Zimbabwe areas such as Gokwe, Sanyati, Muzarambani to mention but a few, millions of people depended on growing cotton and cotton contributed to 17% of agriculture exports, farmers have abandoned farming cotton and hand ventured into soya beans and tobacco farming as result of this the ministry of agriculture also suffered.

### **3.4.3.1 COTTON PRODUCTION**

**Fig 2**



Source: secondary data

The above fig shows the trend of cotton production from year to 2000. It is important to note that over the years the cotton production in Zimbabwe was not stable 2011 marked the highest production with about 275 bales and 2014 recorded the lowest production.

### **3.4.3CHANGES THAT PRIVATISATION BROUGHT**

Since the introduction of privatisation farmer embarked on what is known as contracting farming were by they enter into a legal binding agreement with Cottco. Since the introduction of these contracts most farmers have been crying foul. Farmers argues that Cottco has breached their contracts, in the sense that what the contracts says it's not what will be happening on the ground. One particular farmer from Gokwe North argues that the use of language that the industry is using it is not easily understood by the farmers since most of the farmers are old and cannot interpret the English language. Still on the issue of contracts a number of farmers highlighted the issue of corruption whereby the same grade of cotton is being charged differently. Mr Marongwe who is been the cotton farming business for a long time lamented that the only reason they are still farming cotton is because they are now used

to the farming not because it is paying, but because farming is part of them they cannot do without it.

55% of the farmers also highlighted the issue of government inference. During the questioners the researcher noted that the farmers are appealing to the government for help since Cottco has failed to honour its side of bargain highlighted in the contract. Cottco is said to be funding half of the produce and still they want to buy the whole produce and to the cotton growers it is not fair. The farmers argues that the government should provide a legal framework that would support the farmers' bargaining power. One particular farmer proposed that that the farmers need to be represented at individual level since their problems differs.

As the economy of the nation fails so is the production of cotton by farmers. Farmers in their responses to challenges that they are facing they pointed out the issue of inputs. The farmers argues that the inputs are expensive and they cannot afford to buy them and in case whereby the Cottco is providing the inputs, inputs are not being delivered on time and this has resulted in poor yields of cotton.

The organization also highlighted that the other problem that they are facing is that the inputs are not available on time and the failure of the getting the inputs on time results in poor yields and also this will lead to poor service delivery since farmers will not have enough time to prepare, and incases of having the inputs on time farmers misuse the funds and try to use especially fertilizer for other crops for example maize, this means that the cotton will not receive the much need inputs for a best yield.

Another issue that was raised was that of nepotism also played a role as people were being employed on the basis of who you know rather than are u capable of doing the job. This caused poor service delivery efficiency and effectiveness was undermined

#### **3.4.4 IMPLEMENTATION OF THE PRIVATISATION**

The ministry of agriculture was interviewed and 60% showed the negative impact of privatisation of Cottco. In the responses obtained. The Ministry propagated that privatisation in a way violated the Zimbabwean Agriculture Policy 1995 to 2020 which was mainly focused on increment of agriculture input, changing small holders of agriculture into a fully commercialised farming system. On the question of implementation 70% responded showed

that privatisation was not properly implemented the legal frame work undermined the welfare of the famers and as a result farmers did not understand the new turn out.

### **3.4.5 THE FUTURE OF THE ORGANISATION**

On the future of the organisation the ministry responds argues that the organisation is as good as dead, ithas asked to be under judicial management where by its daily operations and finances are under the judicial and it as lost its status and it will take real work and effort to bring back cottco on its feet again. The entity is now operating below its liquidation.

### **3.5 DATA ANALYSIS**

Privatizations in Zimbabwe had to follow a certain legal framework so as to achieve the intended goal. The exposing of the Cottco on the international markets was a wrong turn which marked the downfall of the organization. It is important to note the quality of the cotton which was produced was not good enough in the market, thus the international market. Cotton was also flooding on the market as it gives opportunity for other organization that deals with cotton to venture into business. It is also important to note that privatization yes it increased competition within the cotton sector however these organizations did not stay in the business for quite a long time as they were not financial stable.

The data collected also showed that privatization was also affected by the land reform act under the indigenization program. Due to The land reform program the cotton sector witnessed the other major players in the growing cottco leaving the country. For an example Cotpro was one of the major players of the cotton buyers but had to leave the country because it was a foreign based organization. The packing of Cotpro can be seen as an advantage to cottco as it would increase the numbers of the consumers for cottco, however in reality this affected the nation as the production of cotton declined since farmers also had to go.

Privatisation in Zimbabwe failed to deal away with politics as it failed to satisfy and favour the majority indigenous people for they failed to buy the shares at the end of the day the elite were the only ones who benefitted from privatisation. Privatisation failed to deal with political interference as we see top political officials benefiting and buying shares of Cottco.

Instead of privatisation take place and introduce competition on the markets, wealth accumulation took place.

It is important to note that the main reasons of privatisation was to reduce burden on the government, however the government had to pay also for the privatisation process to take place, such as paying of the advisors, evaluators of the property. Privatisation tend to spend more than it produces. Huge amounts were spend on the implementation process. The absence of the monitoring team to monitor the implementation and check and balances and citizens questioned the credibility of the process.

The problems of privatisation dates back in late 1990s when it was implemented with final adaptation of indigenisation. The policy lacked legal backup and it was prone to manipulation. The police implementers paid full attention to the report from department of State Enterprises and the National Economic Planning Commission and this caused privatisation to remain behind. Privatisation in Zimbabwe fall into the hands of politics as the tenders were won by politicians. Tangan (1999) argued that privatisation is clouded by politics and state or the government pays no attention to it as it benefits from the income. Fafiolopoulos (2005) cited in Zhou lamented that “privatisation Marely provide an avenue for rent seeking behaviour in a neo-liberal era”. It gives politically connected and unproductive people an opportunity to accumulate wealthy. This can be clearly shown by the PAZ location. PAZ was located in president’s office and this made it difficult to achieve its goal. Paz also lacked a legal back up. Privatisation brought more harm than good.

The researcher also noted the generation gap playing and important factor in the privatisation of Cottco. As it was pointed out earlier when Cottco was privatised the system changed as the new investors introduced contracting farming. In the responds the researcher noticed that the older farmers are having difficulties in adopting to the new methods and the younger generation blended with the new system. The other problem that farmers are facing is that of poor rainfall. The climate is changing and rainfall patterns are also changing. Farmers are of the view that because of the poor and uneven distribution of rainfall within the country production of cotton is being undermined and the production will decrease

### **3.6 CHAPTER SUMMARY**

This chapter paid attention to the data that was collected from the ministry of agriculture, cotton farmers and the official of Cottco Company. The responses from farmers showed that privatization had turned the relationship between Cottco Company and farmers sour the relationship has be strained to the extent that most farmers have given up on growing cotton and resolve to other crops such as maize and tobacco. The ministry answers argued that the privatization of cottco had resulted in the decline of cottco production and the Zimbabwean cottco industry has lost its reputation. whilst other have seen a failure in privatization the organization cannot entirely blame the policy, according to the organization the environment that the company existed and still existing made it possible to maintain the operations of the organization without facing hiccups.

## **CHAPTER 4**

### **CONCLUSION AND RECOMMENDATIONS**

#### **4.1 INTRODUCTION**

In this chapter the researcher will focus on the summary and recommendation to the problems that have been highlighted on the previous chapter.



## 4.2 CONCLUSION

The study was based on the impact of privatization on state owned enterprises the case study of cottco. In the first chapter the researcher gave a background on the privatization. Privatization is a process of transferring of entity from the government to be privately owned. First chapter highlighted that privatization has been adopted all over the world. The main thrust of the idea was to show whether privatization has improved the performance of the organization, was the overall goal achieved what lessons can be drawn from privatization.

Chapter two focused on the literature review of the study. In his chapter the researcher looked on the factors that lead to privatization these factors include the desire to enhance performance, the need to reduce government interference on organization as well as reducing deficit budget on the central government. Two theories came into play in this research thus the, contingency theory which looks at what might influence the implementation of privatization. The theory argues that there is need for the implementers to create a clean environment so as to achieve a positive implementation process. The other theory that was significant was the contingency theory with argues that there is need to regulate the relationship between the private sector and the government. The theory argues that the private sector need to be monitored, they (private sector) might manipulate the system and pursue their own desires and the expense of the consumers. The literature which was reviewed showed that the government runs the organization as social service whilst privatization is focused on making profits therefore privatization is necessary, other argued that privatization does not bring any good.

A number of methods were used in collecting data which includes interviews and questioners. The overall view that was gathered from the data collection highlighted that privatisation brought more harm than good. Cottco has lost its status in some areas depots have closed and depots are joined, workers have lost their jobs. The company is in huge debt and it has failed to meet the immediate obligations, the company is need of technical and financial help.

It is important to note that it is undeniable that privatisation of cottco has not reached its success yet and it is impossible for cottco to reach success looking at the current picture of the organisation. Price might have reached the highest levels but it in reality it not a good sign for the farmers' income. Some private investors have left the industry for example Cargill, privatisation has left a bitter taste to both international and local investors as well as farmers

as we witness some farmers leaving cotton for tobacco and soya beans. One could wonder how realistic it may be to expect that privatisation, understood as a mere transfer of property rights from a public organisation to private firms could help reach so many implicit goals in the

Farmers have given up on growing up cotton and have resolved on trying other crops such as soya beans and tobacco. Farmers they no longer gain anything from farming cotton. The company is focusing on what they want forgetting the welfare of the farmers. Bridging of contracts has become the order of the day in lives of cotton growers and cottco.

The data that was collected showed that privatisation did not achieve its goals, it is important to note that the researcher is not trying to refute the aims or objectives of privatisation, but is trying to highlight that maximum attention should be given to the process of implementation so as to achieve the intended goal. The World Bank believes that privatisation leads to free market, however it cannot be denied that they are public properties that cannot be financed privately. The World Bank failed to pay attention to the market failures that would lead to more cost for the privatised entity this was as a result that privatisation paid more attention to the failures of the government which was regarded as the “root of evil”. Therefore there is need to identify entities that can be privatised and those that cannot be privatised and market failures that need to be corrected.

Privatisation has brought glory to the organisation but the glory was short lived due to number of factors some were listed above and the other factors include corruption, inflation and mismanagement of the funds and in Zimbabwe privatisation of cottco has been recorded as a failure. Impact of privatisation has to do more with the means of privatisation, rather than the privatisation itself.

## **4.2 RECOMMENDATIONS**

The researcher feels that if these factors are adopted will be able to deal with the challenges that the organisation is facing.

The government should monitor the contracts that are issued to the farmers and the organisations that offer help to farmers so as to deal with side marketing. A legal framework

that binds against corruption and side marketing should put in place not only on paper but in action as well. It is important to note that Zimbabwe is one of the nations that has the best policies on paper but when it comes to the execution of these policies it cannot, therefore in this case the organisations should fully formulate and implement the a framework that guards against side marketing.

When issuing out the inputs cottco should give out the inputs to loyal farmers or cotton grower. It is important to note that 2013/14 seasons the inputs recovery increased by 9% according to Cottco Holdings despite decrease in the whole cotton produce. In the case of poor rainfall there is need to introduce irrigation schemes so that cotton production can improve and also the introduction of GMO so as to boast the production of cotton, by the Ministry of Agriculture.

The other recommendation that the researcher feel that it can be relevant is that the government should desist from interfering with the operations of the entity, however it can reintroduce the subsidies as a way of trying to deal with the debt that the organisation is facing and it can start to run smoothly again. In a way of dealing with conflicts between the organisations should explain more to the farmers on how the prices works as well as offering train to the farmers so that cotton productivity can be improved. At the other hand the farmers should try to understand the market and appreciate the price that the market sets. It is important to note that it is not the farmer that sets the price but the market therefore the farmer should be determined to increase the product.

The researcher has realised that neighbouring countries such as Zambia has also privatised its cotton sector, therefore the researcher feels that if the organisation facing the same challenges can share information and help each other find its way.

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## **OTHER SOURCES**

Ministry of Agriculture

Cottco officials

Farmers

**APPENDIX A**

**QUESTIONER FOR COTTCO OFFICIALS SECTION A**

**Job Title:** .....

**Date:** ...../...../.....

**SECTION B**

1. Was the organisation fully privatised?

.....

2. If the answer is no which aspect of the organisation were privatised and which were not?

.....  
.....

3. Do u believe that privatisation was a good idea?

.....  
.....

4. Was the implementation procedure fully considered?

.....  
.....

5. Do you think that privatisation has achieved its overall goal?

.....  
.....

6. In our own point of view do u think the consumers are happy with the privatisation?

.....  
.....

7. What do you think are the benefits and disadvantages that privatisation brought about within the organisation?

.....  
.....



**APPENDIX B**

**QUESTIONER FOR THE MINISTRY OF AGRICULTURE**

**SECTION A**

**Job Title:** .....

**Date:** ...../...../.....

**SECTION B**

1. Did privatisation of cottco affected the production of cotton? If yes how?

.....  
.....  
.....

2. Did privatisation improve the performance of cottco?

.....  
.....

3. Was privatisation properly implemented?

.....  
.....

4. How do you predict Cottco's future performance under privatisation?

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.....  
.....

5. What can be done to curb the effects of privatisation?

.....  
.....  
.....

6. What is your own opinion about privatisation?

.....  
.....  
.....

## **APPENDIX C**

### **INTERVIEW GUIDE FOR FARMERS**

1. What do you understand about privatisation?
2. Did privatisation affected you as a farmer? If yes how did it affect you?
3. What are the problems that u are facing as the farmers?
4. Do you think that privatisation has to do with the new changes that are there in the sector?
5. What do you think that can be done to address the challenges that you are facing?