

## Zambian current economic challenges: Can growth strategies, turnaround strategies and alternative strategies rescue the economy

William Phiri

The University of Zambia Institute of Distance Education Lecturer, MBA Cohorts P.O. Box 32379, Lusaka Zambia.

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### Abstract

Zambia's economic performance over a past decade is such an interesting case study worthy evaluating. For instance, at independence, Zambia inherited a very strong economy from the colonial master (Britain). As observed by Mwewa (2011), this is especially true in view of the first decade after independence. The relative prosperity of the 1960s is construed by many as evidence that Zambia was reaping favourably from the economic genius of its former colonial masters. A few years down the line, the economic outlook deteriorated due to a number of reasons such as the world recession, oil crisis, lack of qualified human personnel, dwindling copper prices and over dependency on World Bank and International Monetary Fund. The implication is that the Zambians lacked economic prowess to manage their own affairs as evidenced by the economic struggles of the 1970s and 1980s. However, there seems to be a dialectical economic tension that tantalizes many of those who analyze the Zambian economy. Despite such a gloomy economic picture, the economy rebound later due to citizen's virtues of determination, hard work, honesty, personal integrity, patriotism and passion for mother Zambia. By 2006 to be specific, the nation's economy attained a single digit inflation rate of 8.2% which was the lowest over a period of 30 years (Chibamba, 2010). The country was equally privileged to have had its national foreign debt reduced to US \$635 million from US \$7, 200 million, thereby reducing its annual debt service to US \$33.9 million from US \$374.8 million. Further the copper hit the historical high prices of US \$3.05 per pound, a record harvest of 1.4 million tonnes of maize and the completion of the vision 2030. The overall economy grew by 5.8. This is a clear indication that Zambian economy by then provided opportunities for Zambians to liberate themselves from extreme poverty as observed by Magande in Chibamba (2010). However, ten years down the line, the Zambian economy significantly dwindled again. Financial analysts have further predicted that Zambia's 2016 economic outlook is expected to continue to deteriorate even further as the global down turn persists. With the 7% percent growth target reduced to 4.6% in 2015, government is showing optimism by projecting GDP at 5% in 2016 but analysts at the World Bank and IMF expect slower growth at about 3.7% (Sichinga, 2016) <sup>[15]</sup>. What has gone wrong? Are there lessons that we can learn from our past economic path that we undertook? What growth strategies, turnaround strategies and alternative strategies would be viable to help revitalise the economy again? These and many more concerns will be addressed in this paper.

**Keywords:** Economic Growth, Business Growth Strategies

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### 1. Introduction

As noted in the abstract, Zambia gained independence in 1964 and at that time the country had a thriving economy (Chibamba, 2011) <sup>[3]</sup>. After independence, Zambia adopted the socialist ideals of running the country and hence they went on to nationalize the industries that had initially been in private hands. There have been 3 major periods that have negatively affected the Zambian economy and the common denominator in all these periods is a drop in copper prices. This is because copper has always been Zambia's main export. In the 1970s, the decade was characterized by sharp oil crisis which caused fall in commodity prices and since the other economic activities were also in government hands and not performing very well, the whole economy suffered a major setback. In 2008, the global economic recession that brought western economies to a partial halt also brought the prices of copper plummeting down. Sichinga (2016) <sup>[15]</sup>, equally observes that the reverberation of the global recession has been that commodity prices have fallen and notably oil and in Zambia's case copper, world trade is shrinking, debt is rising, weak corporate loans and deflation are affecting market performance and global currencies are falling against the dollar.

A critical analysis for the just ended 2015 economic year for example, the global economic activity generally remained subdued. Economic growth in emerging markets and developing economies equally declined while a modest recovery continued in advanced economies. In this regard, three key transitions are attributed to have continued influencing the global economic outlook and performance and these include: 1. The gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services. 2. Lower prices for energy and other commodities. 3. A gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy. It can be deduced from the above that the overall growth in China is evolving broadly as envisaged, but with a faster-than-expected slowdown in imports and exports. This is in part reflecting weaker investment and manufacturing activity. Further, the recent disturbance that is largely responsible for some of the problems of the Zambian economy was the slowdown in the Chinese economic growth which buys about 40% of Zambia's total copper production lead to a drop in copper prices (Lungu, 2015) <sup>[12]</sup>.

These developments, together with market concerns about the future performance of the Chinese economy, are having spiral negative effects on other economies through trade channels and weaker commodity prices, as well as through diminishing confidence and increasing volatility in financial markets. Further, the manufacturing activity and trade remain weak globally, reflecting not only developments in China, but also subdued global demand and investment more broadly notably a decline in investment in extractive industries. In addition, the dramatic decline in imports in a number of emerging market and developing economies in economic distress is also weighing heavily on global trade" (Sichinga, 2016) <sup>[15]</sup>. This coupled with other internal situations has left the Zambian economy in a precarious position with inflation going up to as high as 21,8% from a single digit.

According to Macroeconomic and Fiscal Management and Energy and Extractives Global Practices of the World Bank Group (2015) <sup>[18]</sup> Zambia faces its toughest economic challenges in at least a decade. The economy has come under strain in 2015 as external headwinds and domestic pressures intensified. Growth of the economy was expected to drop beneath 4% in 2015 for the first time since 1998, resulting in only marginal growth of per capita incomes. The external headwinds include slower regional and global growth (crucially in China who purchase 40% of global copper production as earlier on pointed) and a US dollar that has strengthened considerably against the kwacha. Domestic pressures include a power crisis impacting on all sectors of the economy, repeat fiscal deficits that have reduced investor confidence, and low and poorly-timed rains that have reduced the agricultural incomes of 62% of the population living in poverty.

On the other hand, the outlook for 2016 has become more sombre following announcements of expected mine closures, the severity of the power crisis and the rapid depreciation of the kwacha. Given the external and domestic challenges, we expect GDP growth to drop to 3 to 3.5% this year and next, before returning to potential (5 to 6%) by 2018 as copper prices stabilize and domestic pressures ease. Tough action is required in 2016 to curb runaway expenditures, double digit inflation and growing twin deficits. Fiscal policy should be put centre stage and efforts made to shift the country back onto a sustainable fiscal path. Economic progress since 2000, driven by mining production and services, has substantially increased the demand for electricity in Zambia. A growing shortfall in supply has been exacerbated in 2015 by a reduction in hydroelectric generation due to low water levels at the country's main reservoirs. This has increased power outages and impacted on all aspects of the economy, contributing to slower economic growth in 2015 and higher production costs.

Since July 2015, ZESCO has increased the extent of rolling black-outs (load-shedding) to at least 8 hours per day on a rotational basis for the majority of its household, commercial and industrial consumers. Currently, load-shedding has been increased to about 10 hours as of January 2016 month end. And although they are not subject to rotational load shedding, ZESCO has requested the mining industry to curtail its load by 30%. This is in order to manage a power deficit of around 591 MW each month (September to December 2015), representing approximately 34% of demand. The power challenge faced by Zambia has had a profound impact on the

country's economy as evidenced in the above brief of Zambia's economic outlook for 2016. This has a definite bearing on the cost of doing business in Zambia. According to the Central Statistics Office (2016) <sup>[7]</sup>, the inflation rate of the country currently stands at 22.9. This has made the cost of borrowing to be expensive for both personal and business ventures.

## **2. Growth Strategies that can be adopt in a Depressed Economy**

In view of economic difficulties the country is currently experiencing, the government, private sector and indeed individual businesses can adopt one or more of the following strategies depending on the market niche and segment an organisation would want to satisfy.

### **2.1 Market Penetration Strategy**

This strategy is suitable when the current market in which an entity is operating in is not yet saturated by a typical product. In his study, David (2011) <sup>[8]</sup> refer to market penetration strategy as that which seeks to increase market share for present products or services in present number of sales persons, increasing advertising expenditures, offering extensive sales, promotion items or increasing publicity. For instance, insurance companies tend to use this strategy and employ more sales agents that sale and market their products. Advertising and promotional sales are part of their strategies and an example of such insurance company in Madison General Insurance Company. In addition, market penetration can be seen most effect when market shares of the major competitors have been declining while total industry sales have been increasing and when increased economies of scale provide major competitive advantage.

Market penetration as a strategy is quite advantageous to the organisation because it helps the organisation to grow in the business industry. Through increased spending on advertising and increasing publicity efforts for example, the company is able to raise massive awareness of its products to the public which is more likely to increase the sales levels of the firm. However, these efforts to increase the company's share on the market could also be seen as a huge cost which may require huge capital investment in them (Chibamba, 2010) <sup>[2]</sup>. As such it may not really work well for smaller companies that may still be struggling to gain their ground.

### **2.2 Market Development Strategy**

It is argued that this strategy involves the introduction of products or services into new geographical areas. This is particularly common especially for Multinational Corporations (MNCs) such as Shoprite Checkers, Game Stores, and Dangote to mention but a few. The market developments strategy works best when channels of distributions are available that are reliable, inexpensive and of good quality. This strategy is also applicable to an organisation that is very successful at what it does. At times a business entity may decide to develop a market when new untapped or unsaturated markets exist. A market can also be developed when an organisation has the needed capital and human resources to manage expanded operations. Other instances could be when an organisation has an excess production capacity or when an entity basic industry is rapidly becoming global in scope.

Market development as a growth strategy seems to work well for a firm that is entering the new market. The cardinal point here is that the organisation will try to take advantage of the opportunities at its disposal to improve the operations of the business (Chilufya, 2016) <sup>[4]</sup>. The case of Dangote group of companies cement can be given as an example at this point. Dangote cement offers the best market price for the best value of cement. Dangote is a serious threat that has a huge share of the market that was previously enjoyed by Larfarge. In terms of operations Dangote is very efficient and even delivers for a certain number of pockets of cement at no charge at all. As such Larfarge also needs to strategies and find the best means of defending its market share.

### 2.3 Product Development Strategy

The strategy helps entities post high sales volume by improving or modifying present products or services. Cole (2004) <sup>[5]</sup> has made related arguments that for product development to be successful, large research and development expenditures have to be incurred by the firm. This is important so that they keep up to the level of technological advancement. For example, Apple has been a market leader in the mobile sector in terms of technological innovation and advancement. To keep up with its position as a market leader, the organisation has hugely invested in the area of research and development. A business entity can apply this strategy when it has successful products that are in the maturity stage of the product life cycle. The idea is to attract satisfied customers to try new improved products as a result of their positive experience with the organisations present product or service. For example the recent development of a new product by hungry lion's new product battle of two flavours. They are trying to introduce a new flavour to their chips and chicken and see the response of its customers before it is fully implemented. However, this strategy can work well when an organisation competes in an industry that is characterised by rapid technical developments. Examples of such organisations include Apple, Samsung and Nokia. In addition, it also works best when major competitors offer better quality products at comparable prices. Further when an organisation competes in a high growth industry and when a business has especially strong research and development capabilities.

### 2.4 Diversification Strategy

This growth strategy is usually applied in situations where a company decides to sell new products to the market. Diversification therefore qualifies as a growth strategy because its aim is to expand the company's operations of its products and survives. This type of strategy however, can be very risky at times as the company decision to invest in businesses that are less viable and may end up making loses. A small company will need to plan carefully when deciding to use a diversification growth strategy. As such, a company may need to carry out market research to determine if consumers in the new market will potentially like the new product or service.

### 2.5 Horizontal Strategies

Horizontal integration is usually applied as a growth strategy where an entity seek ownership or increased control over a firm's competitors allow for increased economies of scale

and enhanced transfer of resources and competencies (Chibamba, 2010) <sup>[2]</sup>. The following include some of the guidelines that indicate when horizontal integration may be an especially effective strategy. This strategy can also apply in an industry where a company competes in a growing industry. In addition, it can also apply when increased economies of scale provide competitive advantage. It can also be when an organisation has both the capital and the talent needed to successfully manage an expanded organisation. Lastly, when competitors are faulting due to lack of managerial expertise or need for particular resources that an organisation possess. Note that horizontal integration would not be appropriate if competitors are doing poorly because in that case overall industry sale are declining.

### 3. Turnaround Strategies that can be adopt to revamp the dwindling economy

Turnaround strategies are those strategies that a country can implement in times of economic crisis. Smith and Malaba (2015) <sup>[17]</sup> presented data to support their argument that these strategies are needed when a business worth rescuing goes into crisis. Its objectives therefore, are to arrest and reverse the resources of competitive and financial weakness as quickly as possible. Further, these strategies are also referred to as defensive strategies.

#### 3.1 Retrenchment Strategies

David (2011) <sup>[8]</sup> presents, retrenchment strategy occurs when an organisation regroups through cost and asset reduction to reserve declining sales and profits. During retrenchments, strategists work with limited resources and face pressure from shareholders, employees and the media. He argues that retrenchments can entail selling off land and buildings to raise needed cash, pruning product lines, closing marginal businesses, closing obsolete factories, automating processes, reducing the numbers of employees and instituting expense control systems. Taking a close look at the current macro-environment in Zambia, the economy is currently undergoing an economic crisis, due to failing copper prices on the international markets, power cuts and weakening kwacha (Sichinga, 2016) <sup>[15]</sup>. Inflation rates, exchange rate as well as interest rates have all gone up. The implication is that the cost of importing raw materials has also increased. Most companies therefore are faced with economic challenges due to increased cost of production. As such companies have resorted to implementing strategies that will ensure that they cut on cost in order to survive the economic downturn. To reverse the challenging economic crisis in their organisations, some firms are reported to have resorted to cutting jobs.

For example, ZAMPOST retrenched 98 workers due to competition from private companies while Kalumbila mine had to cut about 730 jobs due to the development of a \$2 billion trident mine in Kalumbila area of Solwezi. Mopani mine equally took a similar path of retrenching 1, 743 workers and a further 3, 588 miners (Lisulo, 2015) <sup>[10]</sup>. Clearly, it can be noted that most companies have resorted to retrenchment strategies in the country at the moment. This is being implemented in the quest to address prevailing situation of economic downturn in order for the companies to survive the crisis. Therefore, in order to manage the situation of economic downturn, organisations may employ these strategies that will see their business continue to thrive.

However, for a company to implement retrenchment strategies, the following guidelines should determine when retrenchment strategy can be executed:

Firstly, when a company has clearly distinctively competence but has failed consistently to meet its objectives and goals overtime. Secondly, retrenchment strategies can also be employed when a business entity is plagued by inefficiency, low profitability, poor employee morale, and pressure from stock holders to improve performance. Thirdly, organisations can undertake retrenchment if they have failed to capitalise on external opportunities, minimise threats, and take advantage of internal threats, and overcome internal weaknesses overtime. That is when the organisations' strategic managers have failed and as such may need to be replaced by more competent individuals. Other circumstances that may lead to retrenchment are situations where the business has grown so quickly that major internal reorganisation become necessary.

### **3.2 Divestiture**

This strategy entails selling of a division or part of a company. Often, divestiture is used to raise capital for further strategic acquisitions or investments. It can be part of an overall retrenchment strategy to rid an organisation of business that are unprofitable and require too much capital or that do not fit well with the firms' other activities. It is quite popular for firms to focus on their core business and become less divestiture. For example ZIMCO (Zambia Industrial and Mining Corporation) was a holding company for all Zambian state interests. However, due to the depressed copper prices of the 1980's, and the resulting economic chaos which led to further changes, in 1986 after six years of mining copper at a loss, ZIMCO began to lay off workers. Eventually ZIMCO started selling off its small business that it had invested such as agriculture while trying to divestiture its operations which did not yield the desired results.

Based on the given example, the relevance of this strategy to the macro-economic environment can be said to be highly connected. Lessons can be drawn by the governing bodies of the sectors concerned to ensure that they quickly address the slowly worsening situation that can be eventually lead to the liquidation of those companies and organisations in general. The mistakes that were made at the time of ZIMCO should therefore be studied and analysed in order to correct the current crisis. However there certain conditions that are needed for a company to diversify its operations. Firstly, when a company has pursued a retrenchment strategy and failed to accomplish needed improvements. The other situation is when a division needs more resources to be competitive than the company can provide. Another scenario where retrenchment could be applicable is when a division is a misfit with the rest of an organisation which can result from radically different markets, customers, managers, employees, values or needs; when a large amount of cash is needed quickly and cannot be obtained reasonably from other sources; when government antitrust activities threatens an organisation.

### **3.3 Liquidation**

This strategy results in selling all of a company's assets, in parts for their tangible worth. David (2011) <sup>[8]</sup> advances, liquidation is recognition of defeat and consequently can be

an emotionally difficult strategy. However, it may be better to cease operating than to continue losing large sums of money. Usually liquidation is caused by bad planning and being too highly leveraged which in turn tends to crush a business quickly. For example the former Zambian Airways had to liquidate its company assets and closed its operations because it was making huge losses at the time. Other examples of companies in Zambia that have since been liquidated include Agriflora, UBZ, ZIMCO and INDECO. In trying to establish the relevance of this strategy to the macro-economic situation in Zambia, a number of companies were liquidated because they failed to reverse the economic challenges that the organisations were facing at the time. Like the case of the organisations cited above, organisations in the industry may eventually end up with the case of bankruptcy that may lead to eventual liquidation.

However, this state of affairs is not desired if the macro environment is to be revived once again. But as already stated, liquidation or the state of bankruptcy will only occur when all measures to boost the business and put it back on track have been exhausted and still there is no hope for the business to be revived. The following are guidelines for a firm to liquidate its assets; when an organisation has pursued both a retrenchment strategy and divestiture strategy and neither has been successful; secondly when an organisations only alternative is bankruptcy. Liquidation represents an orderly and planned means of obtaining the greatest possible cash for an organisations asset. In this regard, a company can firstly declare bankruptcy first then liquidation various divisions to raise needed capital; when the stock holders of the firm can minimise the loss by selling the organisations assets.

## **4. Alternative Strategies**

These are strategies that a nation and business entities may opt to employ besides the usual strategies in order to achieve competitive position. In this regard, the Michael Porters five Generic strategies have been identified as part of the alternative strategies that a business entity or country can implement. According to Porter, it is argued these strategies allow organisations to gain competitive advantage from three different bases. These include cost leadership, differentiation and focus.

### **4.1 Cost Leadership**

Commenting on cost leadership, David (2011) <sup>[8]</sup> presents that, generic strategy emphasises on producing standardised products at a very low per unit cost of consumers who are price sensitive. There are two alternative types of cost leadership namely type 1 (Low cost strategy) and type 2 (Best value strategy).

#### **4.1.1 Low Cost Strategy**

This strategy offers products or services to a wide range of customers at the lowest price available on the market.

#### **4.1.2 Best Value Strategy**

The strategy offers products or services to a wide range of customers at the best value available on the market. The best value strategy aims to offer customers a range of products or services at the lowest price available compared to a rivals product similar attributes. Therefore, cost leadership strategies are a primary reason for pursuing forward,

backward, and horizontal integration strategies in order to gain low-cost or best-value cost leadership benefits. As a low cost leader, a company stands to gain more in a competitive market because people can afford the products at a cheap price. As such, they are able to gain a larger market share by attracting more people to buy their goods. The best value provider is even at more advantageous position because they are offering the best quality for the lowest price on the market. For example, the case of Dangote Cement Company in Zambia which is a best value cost provider. However these two strategies are designed to work for larger organisations unlike small business entities.

Cost leadership therefore must generally be pursued in conjunction with differentiation. The product must be unique from other products on the market. In addition, a number of cost elements affect the relative attractiveness of generic strategies, including economies of diseconomies of scale achieved, learning and experience curve effects, the percentage of capacity utilization achieved, and linkages with suppliers and distributors. Other cost elements to consider in choosing among alternative strategies include the potential for sharing costs and knowledge within the organisation, research and development (R&D) costs associated with new product development or modification of existing products, labour costs, tax rates, energy costs, and shipping costs.

Striving to be the low-cost producer in an industry can be especially effective when the market is composed of many price-sensitive buyers, when there are few ways to achieve product differentiation, when buyers do not care much about differences from brand to brand, or when there are a large number of buyers with significant bargaining power. The basic ideas are to under price competitors and thereby gain market share and sales entirely driving some competitors out of the market. Companies employing a low-cost leadership strategy must achieve their competitive advantage in ways that are difficult for competitors to copy or match. If rivals find it relatively easy or inexpensive to imitate the leader's cost leadership methods, the leaders' advantage will not last long enough to yield a valuable edge in the market place.

#### **4.2 Differentiation Strategy (Type 3)**

Unlike others, this strategy aims at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. For example, Hungry Lion, one of the groups of a company that produces chips and chicken that are unique from the others due to the kind of spice that they use. However, in disagreement to the above, Adcock, Halborg and Ross (2001) <sup>[1]</sup> confirm that differentiation does not guarantee competitive advantage, especially if standard products sufficiently meet customer needs or if rapid imitation by competitors is possible. Therefore, the issue of protecting a firm's rights and innovative ideas and products must be adhered to in order to remain competitive. For example Coca Cola company and how they have managed to keep the formula for the product for years now.

Successful differentiation can mean greater product flexibility, greater compatibility, lower costs, improved service, less maintenance, greater convenience, or more features. Product development is an example of a strategy that offers the advantages of differentiation. A differentiation strategy should be pursued only after a careful study of

buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product that features the desired attributes. Barclays Bank seems to be making head ways in differentiating their services. As it is, they now stand as the first bank in Zambia to offer a credit card service. When a company is successful at differentiating its products, it can charge a higher price for its products and also gain customer loyalty because consumers may become strongly attached to the differentiation features. However, there is a risk of pursuing a differentiation strategy i.e. the unique product may not be valued highly enough by customers to justify the higher price.

#### **4.3 Focus Strategy (Type 4 and Type 5)**

Focus strategies entails producing products and services that fulfil the needs of small groups of consumers. Type 4 is a low-cost focus strategy that offers products or services to a small range of customers at the lowest price available on the market. Type 5 is a best-value focus strategy that offers products or services to a small range of customers at the best price-value available on the market. Sometimes called focused differentiation, the best-value focus strategy aims to offer a niche group of customer's products or services that meet their tastes and requirements better than rivals' products do. Examples include the prestige banking by Barclays Bank to a few selected clientele. Both type 4 and type 5 focus strategies target a small market. However, the difference is that type 4 strategies offer products services to a niche group at the lowest price, whereas type 5 offers products/services to a niche group at higher prices but loaded with features so that the offerings are perceived as the best value. It can therefore be deduced that Porter's five strategies imply different organisational arrangements, control procedures, and incentive systems. Larger firms with greater access to resources typically compete on a cost leadership and/or differentiation basis, whereas smaller firms often complete on focus basis. Note that differentiation strategy (type 3) can be pursued with either a small target market or a large target market. However, it is not effective to pursue a cost leadership strategy in a small market because profits margins are generally too small. Likewise, it is not effective to pursue a focus strategy in a large market because economies of scale would generally favour a low-cost or best-value cost leadership's strategy to gain and/or sustain competitive advantage.

Hence, a successful focus strategy depends on an industry segment that is of sufficient size, has good growth potential, and is not crucial to the success of other major competitors. Strategies such as market penetration and market development offer substantial focusing advantages. Mid-size and large firms can effectively pursue focus-based strategies only in conjunction with differentiation or cost leadership-based strategies. All firms in essence follow a differentiated strategy. Because only one firm can differentiate itself with the lowest cost, the remaining firms in the industry must find other ways to differentiate their products. In a study conducted by Adcock, Halborg and Ross (2001) <sup>[1]</sup>, it was established that focus strategies are most effective when consumers have distinctive preferences or requirements and when rival firms are not attempting to specialise in the same target segment. Risks of pursuing a focus strategy include the

possibility that numerous competitors will recognize the successful focus strategy and copy it or that consumer preferences will drift toward the product attributes desired by the market as a whole. An organisation using a focus strategy may concentrate on a particular group of customers, geographic markets, or on particular product-line segments to serve a well-defined but narrow market better than competitors who serve a broader market.

## **5. Observations and way forward to economic liberation**

Even though the economical woes that Zambia is currently experiencing are not entirely of local making, there are still a number of things that can be done within the country by a number of stakeholders that could mitigate the effects of a depressed economy:

### **5.1 Provision of Clear Policy Direction by Government**

Sichinga (2016) <sup>[15]</sup> correctly observes that 'the business as usual approach is not going to work in 2016'. In agreement to the above, Longwe (2015) <sup>[6]</sup> confirms that drastic economic difficulty require effective leadership. In a time of crisis like this, government should come up with measures that should be promulgated in policies or clear road maps so that the direction is clear and control measures can be put in place where variances come up so that the ultimate goal is achieved. Government should also provide strong leadership in implementation of these policies and road maps so that efforts are deliberately channelled towards the implementation of the policies in order to salvage the economy. For example, according to the Council of Economic advisers (2009) <sup>[6]</sup> as a response to the economical crisis that was prevailing in the United States of America from 2007, the government apart from monetary and fiscal policy, came up with what was known as the America recovery and reinvestment Act of 2009. This document outlined several interventions that government was going to put in place in order to initiate economic recovery.

For example, government does not have enough money due to the reduction in copper exports, colossal sums of money that are spent on importation of electricity in order to cushion the power deficit, reduced revenue collection due to closures of mines and retrenchments of workers etc. They should therefore put in place policies that will broaden their tax base by exploring even underutilized opportunities like withholding tax on rentals. This is a form of tax that has huge potential to increase government revenue and yet very few landlords pay this tax and no deliberate effort seems to be forthcoming to correct the situation. Broadening the tax base will reduce the tax burden of the few citizens that are in formal employment which will increase their disposable income and ultimately increase saving. Government can also increase revenue by ensuring through the necessary agents that tax invaders are severely prosecuted in order to deter such behaviour. Longwe (2015: 10) <sup>[11]</sup> is at it again, "we expect the president to put in place stringent immediate measures to reduce government spending including reducing his entourages on foreign trips."

### **5.2 Promotion the Culture of Savings**

According to Mutale and M'hango (2015) <sup>[13]</sup> in the Family lifestyle magazines, a lot of children in Zambia like adults do not have the saving culture in them. A fin Scope survey

conducted in 2009 reviewed that there is a low level of saving culture among Zambians. The survey also reviewed that there were low levels of financial education; additionally the survey found that there was a decrease in the use of savings products from 21.3% in 2005 to 17.1% in 2009. This was partly attributed to the general lack of awareness of savings products and tools offered by financial service providers. It is very important therefore to educate the citizens and youths about financial education, the skill to earn, save and budget money. Savings can help the economy because this would allow financial intermediaries like banks to create credit which can be made available at a reasonable cost to those that are engaged in productive activities and need extra capital or even those that would want to venture into such activities.

### **5.3 Diversification of the Agricultural Industry**

Lungu (2015: 9) <sup>[12]</sup> acknowledges, "...the record of our diversification programme in the last 50 years have not been satisfactory. About 80% of our export earnings still come from copper, making the country highly vulnerable to fluctuations in the global economy." For the agriculture sector, there is a ripe market for maize in our neighbouring countries like Malawi and Zimbabwe where a 50kg bag is fetching for higher amounts. Zambia has this year sold a lot of maize to Zimbabwe but as the World Bank (2015) <sup>[18]</sup> notes, the farmers whose income had already reduced due to reduced production as a result of poor rainfall did not benefit from the higher prices of maize. Government should therefore not just concentrate on restricting maize exports but should advocate for higher production of maize and other cash crops which can then be exported after stocking enough for local consumption. Alternative methods of farming should also be promoted which use alternative water sources which Zambia has in abundance so that even when there is a drought, the level of production of farm produce can be sustained. This could be one way of diversifying the economy and reducing the shock waves that come with slumping of copper prices on the international market, a situation which is outside the control of the Zambian government.

### **5.4 Protection of Local and Indigenous Industries**

Government also needs to strengthen policies that are intended to protect the home industries from unfair competition of imported products. Since the coming of the era of privatization, more and more policies designed to attract foreign investment have been drawn. While foreign investment is an essential ingredient for the growth of a developing economy like Zambia's, it is however the home grown industries that brave the economical turmoil's and continue providing employment and paying taxes even when economical times are rough. Over and above that, foreign investors usually externalize their profits while increased profits for a local business entail benefits that trickle down to a lot of other sectors of the economy. While there are already some policies that are meant to strengthen the micro and small business sector like those implemented by the Zambia national Tender board and the road development agency to name a few, more rigorous policies are needed in areas of high activity such as the retailing business. Policies should be put in place that would accord the local industries and entrepreneurs to benefit from this growing sector by for

example compelling chain stores to buy certain goods like farm produce from local producers. The onus however would also be on these local businesses to learn to get into joint ventures so that they can benefit from the synergies provided by these.

### **5.5 Planning and Implementation of Long Term Economic Projects**

Government should also begin making plans for the long term. Had that been the case, the electricity crisis that the country is currently facing should have not been of this magnitude. The population of the country has been growing steadily over the years and other economic activities such as mining that have placed huge demands on electricity have also been increasing and yet the major source of power has remained the same. The government despite clear signs of changing climatic patterns has not explored alternative sources of energy effectively. The government should also allow and encourage more investment in alternative energy sources such as solar by the private sector. According to the World Bank (2015)<sup>[18]</sup> Ethiopia in 2009-10 suffered a similar misfortune of reduced water levels which also necessitated load shedding. However the government went on to invest in geo thermal electricity generation which greatly improved the situation.

### **5.6 Promotion and Actualization of Private Partnership Participation**

The private sector also has a strong role to play in ensuring that our economy is resuscitated. The private sector comprises of both foreign and local businesses such as Dangote and Zambeef as practical examples private owned companies. While private companies are willing to actively participate growing the economy, such efforts are hampered by various impediments such as high inflation rates. Labonte (2011)<sup>[9]</sup> defines inflation as “the general increase in prices of commodities” in other words; inflation is the loss of value of money. Among the roles that this sector can play is to help government to arrest inflation by not taking advantage of the situation in the country to make supernormal profits frequently increasing prices of things. For example, the price of cement in Zambia had even before the economic crisis, risen to as high as K85 to K100. However, the coming in of Dangote which decided to use a different approach has seen the price of cement on the market drastically reduces in a bid by different companies to earn larger market shares. What this clearly indicates is that the companies that had been selling cement at those prohibitive prices had indirectly been exploiting the consumers otherwise had they not been making profit at the current prices; they would have closed down by now.

#### **5.7.1 Strengthening the Manufacturing Industry**

Importing things has certainly become more expensive based on the fact that the dollar is much stronger than the kwacha. The private sector through those that are into manufacturing should as much as possible aim at using as much of locally sourced raw materials as possible. They should also aim to integrate forward as much as possible. This will not only help to keep the prices of goods produced low, but it ultimately means that more people will be employed and this will equally stimulate positive activity in other areas of the

economy. For example, ZamBeef is a large local business in the private sector which focuses as much as possible on using local raw materials. They also integrate forward as much as possible which adds more and more value to their products at the end. For example, they grow wheat in many parts of the country which they either export as wheat or they process further into flour and even go further to bake bread which they sell at slightly low prices. The private sector and indeed indigenous businesses can also help government to raise the much needed revenue by ensuring that they meet their tax obligations (Chibamba, 2010)<sup>[2]</sup>.

#### **5.7.2 Private Sector to Build Own Infrastructure**

Those that are operating in the private sector should also aim to create their own facilities that will enable them to sustain their operations without entirely depending on government facilities. For example, instead of depending on ZESCO to provide them with electricity, they can explore other sources of energy or come up with their own production models that can as much as possible operate without depending on government infrastructure. For example, Dangote’s cement plant does not entirely depend on ZESCO electricity as a source of energy but use coal. This allows them to operate without unnecessary disruptions brought about by load shedding.

#### **5.7.3 Quality and Value Addition to Locally Produced Products and Services**

Sichinga (2015: 11)<sup>[16]</sup> writes, “...government also needs to consider providing incentives to value-addition industries, after all such businesses will deliver high rewards other than tax revenues as they create jobs and lower pressure on the kwacha through reducing our reliance on imports.” The private sector should also ensure that their products meet international standards so that as much as possible, their products can also penetrate the outside markets. It will be helpful if more companies could emulate Trade Kings and aim at outside markets. They equally need to produce quality products that meet international standards so that they can penetrate markets that are outside the country and earn more money. This would also help government to maintain a favourable balance of trade and payment. Producing goods that are of international standards also helps their goods to compete favourably with imported goods (Mwewa, 2011)<sup>[14]</sup>. For example, it is difficult to tell the difference between detergent soaps that are produced by trade kings from those that are imported. Having or producing goods and services locally of high quality also helps to attract foreign investment. This is because one of the things that foreign investors will look for before going into a market is the presence of smaller businesses that can offer support services of the required standards.

#### **5.7.4 Indigenous Companies Access to Financial Resources**

Indigenous businesses also includes those that are either upcoming and those that can be classified as small and micro businesses. One of the major challenges of this sector is lack of funding because they are considered high risk customers by the bank when it comes to lending (Chibamba, 2011)<sup>[3]</sup>. However, governments world over including the Zambian Government acknowledge that entrepreneurial activities are

the starting point of economic growth (Sichinga, 2016) <sup>[15]</sup>. Therefore the government through agencies like the commission for economic empowerment pumps in a lot of money to try and stimulate growth in this sector. However, evidence on the ground shows that entrepreneurs have a bad attitude towards paying back loans especially if they were given by a government agency (Chibamba, 2011) <sup>[3]</sup>. What this does is that it frustrates government effort and stifles growth in this area because these funds are revolving funds. The more economic activities we have as a country, the more our GDP looks better and this encourages investor confidence. Indigenous business people should also use efficient methods of production and use local materials so that they reduce the cost of production which will make the goods cheaper than the imported ones. This will enable them to earn more and ultimately produce and employ more people.

## 6. Conclusion

This paper took us through a journey of exploring suitable growth strategies, turnaround strategies and alternative strategies aimed at mitigating the effects of numerous challenges the Zambian economy is currently experiencing. Firstly, a brief background of the Zambian economy has been presented. It came out strongly that Zambia at independence inherited a robust economy but a few years later; the economic prospects slowed down due low copper prices, oil crisis and world's economic recession. By 2006, the Zambian economy rebound to an extent of posting a single digit inflation rate and significant reduction in foreign debt to mention but a few. Currently, our economy has become under serious strain due to unfavourable global and local economic fundamentals. In view of this, the paper discussed and evaluated growth strategies, turnaround strategies and alternative strategies in a bid to suggest not only to government but also to individual businesses and private sector which of the critiqued strategies would work well in this depressed economy. Thereafter, feasible, realistic and cost effective measures have been suggested as the way forward for the economic recovery. These included but not limited to the following: 1. Clear policy direction by government on economic recovery. 2. Deliberate promotion of culture of savings among Zambians especially the youth or upcoming young generation. 3. Diversification of the agriculture sector. 4. Government's deliberate policy aimed at protecting indigenous industries. 5. Proactive implementation of long term economic projects such as power generation and reduction on over dependence on copper. 6. Promotion and actualization of the Private Partnerships Participation. 7. Revamping the manufacturing sector. 8. Infrastructure development spearheaded by the private sector. 9. Quality and value addition to locally produced products and services. 10. Indigenous companies and small scale businesses (SMSs) having access to financial resources. 10. Prudent and fiscal spending of government resources by prioritising key sectors such as agriculture, manufacturing, tourism, health and education. It is hoped that this paper will be of help to government, private sector, companies, businesses and indeed the general citizenry to make informed decisions on how best to address the current economic challenges our country is encountering. We should not leave it to government alone, but all of us should be patriotic and actively get involved in

growing our economy. While we appreciate foreign investment in our country, it is however our responsibility as Zambians to take ownership in as far as economic growth and development is concerned. Chinese, Indians and Malaysians started from a scratch and developed their own economies, Zambians too; we can chat our own way and turn around these economic challenges into opportunities.

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