

OBSTACLES TO ENTREPRENEURSHIP IN MOZAMBIQUE: THE CASE
OF VILANCULOS MADEIRA, VILANCULOS

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In partial fulfilment of the
requirements for the

MASTERS DEGREE IN BUSINESS LEADERSHIP

by

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ABSTRACT

Through this report, the researcher sets out to understand the challenges to doing business in rural Mozambique by documenting and discussing the case study of Vilanculos Madeira Lda. With this understanding and in the context of the literature, the researcher then tries to develop some practical recommendations for both the government and the private sector, such that these challenges can be reduced and further Small and Medium Enterprise growth can continue.

The literature indicates that Mozambique's economy is growing rapidly, but that there are a number of challenges to doing business in the country for both local and foreign investors (the VM case study supports this notion). In the literature review, the researcher has documented a number of other relevant and interesting case studies of how similar challenges to doing business have been tackled by other countries around the world, and it is these case studies that form the grounds to some of the recommendations of this report.

It is a conclusion of the researcher that a large number of the challenges identified stem from shortfalls in the current regulatory environment of Mozambique, particularly how these regulations are implemented and enforced. To assist with structuring the report, the researcher has used the 10 areas of business regulation as described in the World Bank's "Doing Business" series of reports. As such, the recommendations aimed at the government and policy makers of Mozambique are presented in the above mentioned structure and speak of the various regulatory reforms that the researcher feels need to take place to improve the situation. It is in this

context that the case studies of reform that are documented in the literature review prove to be so informative. It is from these case studies that the reader is led to understand that the most important element of correcting Mozambique's challenging business environment emanates from creating the case for change. If the government and its leaders do not see the need for change, the battle is surely lost. However, if government does see need for change and they appoint the right kinds of leadership to lead the change, there is no reason why Mozambique could not overcome the documented challenges and become a shining example of reform in Africa.

In the context of the private sector, the researcher has concluded that the best the business owners and managers can do is to learn to comply and work within the limits imposed by the current regulatory setup, as there is not much opportunity for the private sector to change the regulatory environment. Therefore the recommendations to the private sector are more geared towards compliance and how to achieve it, whilst also working with organised structures like chambers of business to help create the case for change.

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1. INTRODUCTION

This research report forms an integral part of completing a Masters Degree in Business Leadership (MBL) at Graduate School of Business (UNISA). The ability to conduct independent research is an important component of any Master's degree. Thus the research report assignment provides the student with the opportunity to study the skills required to be a researcher and then to put those skills into practice whilst conducting a real life study into a topical area of interest.

For this particular study, the researcher proposes the following research problem:

This research study proposes, through case study research, to uncover and understand some of the business challenges and obstacles faced by entrepreneurs and SME business owners in Mozambique, with a view to developing a set of recommendations aimed at both the private sector role players and the government policy makers.

The company that has been chosen as the case study for this report is Vilanculos Madeira (VM) Lda, a small enterprise operating in the timber and construction industries in Vilanculos, Mozambique.

Although VM represents a valuable lens through which to try and understand the business challenges in Mozambique, there is also a fair amount of literature that should be able to supplement the findings of this report. This literature includes reports of various researchers and also reports produced by Mozambican NGOs and government departments.

The research for this case study consisted of an initial review of the available documentation, followed by interviews and discussions with important stakeholders. Further desk studies and reviews of documentation took place to consolidate and understand the output of this report.

The first chapter of this report explains some of the background to the study and tries to give the reader some context to the study.

The second chapter discusses the current literature on the challenges to doing business in Mozambique, as well as some insight as to why small and medium enterprise (SME) business development is so important in a poor and under developed country like Mozambique. To supplement the information collected on Mozambique and some of the phenomena identified in the research, the researcher has tried to identify further literature that relates to other countries that face a similar situation.

The third chapter describes the research design, providing the reader with insights as to why the case study form of research was chosen for this study. In this chapter, the researcher will also describe the research protocol for this study, so that the reader can find some comfort in the quality of the research.

The fourth chapter describes, in the context of the study, the company that forms the focal point of this study. Much of the information collected in this process was collected during site visits, interviews and informal discussions that were held with the various stakeholders. Where possible, the researcher has made use of academically tested frameworks and models to help describe and analyze the data.

Finally, in the sixth chapter, the researcher has attempted to draw some meaningful conclusions from the data, such that some relevant and directed recommendations could be made.

1.1. Background

1.1.1. Mozambican Context

Mozambique has registered remarkable achievements in the past decade in growth, stabilisation and reform. Yet the country is still one of the poorest in the world, with more than half its population living in extreme poverty (World Bank, 2004). Given its beautiful coastline and abundance of land and resources, Mozambique has the potential to do much more and, as a result, also has the potential to improve its status, from being one of the poorest countries in the world, up to somewhere in the middle, a major improvement that should create the possibility of a better life for all Mozambicans.

Many pioneering investors and entrepreneurs have seen the potential in Mozambique, particularly in the tourism industry and its associated secondary industries and, as a result, have flocked to the country in search of fame and fortune. However, it would appear that Mozambique offers many more challenges and obstacles than initially meets the eye, some less obvious than others, but all of which make the country a high risk and difficult environment for entrepreneurs and SME business owners to operate in. These challenges and obstacles often seem insurmountable and have resulted in many SME business failures, which seems counter-productive in a country that desperately needs job creation as opposed to job destruction.

Having spent the last 4 years in rural Mozambique trying to build a business from the base up, the researcher would like to dedicate some time and effort to understanding and documenting some of the challenges and obstacles that have been faced in this process. It is the researcher's intention to highlight these challenges through documenting the case study of Vilanculos Madeira Lda, a SME business based in Vilanculos, Mozambique. From this study, the researcher would like to try to draw some conclusions and develop some recommendations aimed at improving the odds for prospective entrepreneurs and SME business owners. These recommendations should include information for both the private sector investors and the government policy makers, so that each group can work towards improving the situation and getting their just rewards.

1.1.2. Description of the Case Study company: Vilanculos Madeira Lda

Vilanculos Madeira (VM) is a Mozambican registered company, which owns and manages a timber and joinery operation, construction services operation and a project management services operation in Vilanculos, Mozambique. The company, in its original form, was started to provide raw material and products for the construction of Pescada Dive Lodge (one of the current shareholders), because such products were not available in the local market. It quickly became apparent that there is a further need for such services and products in Vilanculos and, as a result, the business was established approximately 6 years ago. In August 2003, Pescada Dive Lodge Saw Mill and Silva Marques Investments Saw Mill, the notable competing saw mill in Vilanculos, merged to form Vilanculos Madeira Lda. The company is

ostensibly foreign owned, despite having two local companies as its equal shareholders (both these companies are directly controlled by foreigners).

VM is one of the larger and more meaningful private sector contributors to economic development in the Vilanculos District of Mozambique, with a net asset value in excess of \$1 million a local permanent labour force of over 100 people permanent staff and casual labour force ranging from 30 to 300 people per month depending on the activity at the time.

In the period between August 2003 and 2007, the company has grown into becoming a respected business in the area. VM's timber operations currently provide timber and joinery products for the growing local market, and has begun exporting some of its select products to South Africa, which is a rapidly developing market for the business. VM's construction services and project management services outfit offers a "one-stop-shop" service, which aims to help investors deliver their projects on time and within budget. Due to the massive amount of construction taking place in the Vilanculos area following Cyclone Favio, VM has found that construction services are the main source of revenue and profits in 2007.

1.2. Objectives of the Study

The objectives of this study are:

- To increase the awareness of the difficult business environment experienced by most SME operators in rural Mozambique.
- To make a case for more assistance from local, provincial and national governments in the process of stimulating and developing SME business in Mozambique.
- To develop a set of meaningful recommendations for all stakeholders in the situation, such that some of the identified challenges can be removed and others made less challenging, so that SME business development can reach its full potential and thereby assist Mozambique's government in alleviating poverty.

1.3. Importance and benefits of the Study

On paper Mozambique's recent economic performance is a success story in worldwide terms. It recovered from civil war and maintained an annual

growth rate in real terms of 8% from 1997 to 2004 (World Bank, 2004). Although this is impressive, it must be kept in mind that it was measured from a low base and Mozambique is still rated as one of the poorest countries in the world (World Bank, 2004). The vast majority of the recent economic development is centred in and around Maputo and other large towns. The result is that the economic upturn has had little effect on the day to day lives of the rural communities where 70% of the population resides in abject poverty.

For the country to continue on the path towards economic freedom, it is essential that a healthy SME sector be created, as this would go a long way to creating jobs for the people of Mozambique and there by reduce the country's levels of poverty. However, for SMEs to succeed and prosper, entrepreneurs and policy makers need to get to grips with the conditions and constraints that are hampering the development of such enterprises, and in this way mistakes can be avoided and the rate of success increased.

1.4. Methodology of the Study

The researcher has chosen to undertake a qualitative research design using the case study method of research. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between the phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 2003, p.13). Eisenhardt (1989) describes the case study approach as a research strategy that focuses on understanding the dynamics of a situation in a single setting. Yin (2003) goes on to note that case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context.

The advantages of the case study method are its applicability to real-life, contemporary, human situations and its public accessibility through written reports. Case Study results relate directly to the common readers everyday experiences and facilitate an understanding of complex real-life situations (Magolda, 2007). A case study is especially suitable for learning more about a little known or poorly understood situation. It is useful for generating or

providing preliminary support for hypotheses or current literature (Leedy & Ormrod, 2005). The major weakness is that the researcher can't be sure that the findings can be generalised to other situations.

The researcher will describe the research design in detail in chapter three of this report.

1.5. Delimitations of the Study

This research report is limited to a single case study of one business in Vilanculos, Mozambique and as a result, may not represent all the possible issues in relation to the obstacles of business in Mozambique. Given the nature of the research, it is the intention of the researcher to use the case study to test the existing body of knowledge and possibly add to it. The researcher is confident that some common tendencies will emerge from which conclusions can be drawn and recommendations made.

1.6. Limitations and Constraints to the Study

Besides the usual research constraints, which have been noted below, the researcher would like to document the fact that, during the time of the case study, Vilanculos and the surrounding area were hit by a Class 4 cyclone (Cyclone Favio). Although this did not have an effect on the actual study, it has had a significant impact on the stakeholders and their time available for contributing to the study.

1.6.1. Language Barrier

Mozambique is a country that has adopted Portuguese as a business language. The researcher is English speaking with limited Portuguese skills. It will therefore be a challenge for the researcher to gather some of the data required, which may result in extra time being allocated to this process.

1.6.2. Mistrust in the Motives of this Study

Many of the interviewees are people operating in this highly politicised business environment of Mozambique. As such, these interviewees are often very cautious when giving information over to such research reports, for fear of this information being used against them at some later stage. In these

instances, the researcher has tried to be cautious in how the information is documented.

1.6.3. Methodological Limitations

The researcher recognises that this piece of research would be far more generalisable if there were more than one case study. Due to time limitations, the researcher has chosen to only perform the one case study. However, by documenting the research design and research protocol, the researcher hopes to create a blueprint for the research, which should make the study of more cases possible and therefore comparable.

1.7. Definition of Terms used within the Study

Entrepreneurs – “people who create and grow enterprises”

Entrepreneurship – “the process through which entrepreneurs are created and developed.”

SME – small and medium enterprise

LDCs – less developed countries

VM – Vilanculos Madeira Lda

Lda – Limited Liability Company in Mozambique

2. LITERATURE REVIEW

Academic literature on the chosen area of research is somewhat limited due mainly to the poor coverage of this topic as a formal area of research by academics. However many of the institutions that are working with the Mozambican government and private sector to try and identify and address the issues that stand in the way of it achieving economic success have produced discussion documents detailing some of their observations and the associated recommendations. It is from these documents and similar studies from elsewhere in the developing world that much of the literature covered in this review will come from.

2.1. Mozambique – Country Context

Over the last decade or so, Mozambique has enjoyed strong economic growth (real GDP growth averaged 7.6% per year for the last three years), receding inflation, whilst improving its external position and debt sustainability (World Bank Report, 2004). Economic policy reforms together with political stability and substantial donor support have contributed to macroeconomic stability, socio-economic transformation, and significant poverty reduction (African Development Bank Report, 2006). Although several constraints still remain, the investment climate is improving and Mozambique is one of the leading recipients of FDI in the region (excluding RSA). Additionally, Mozambique offers political stability and a successful track record on economic growth and commitment to reforms. Important achievements have also been made in promotion of external trade and liberalization of the economy and special investment legislation has been developed to attract new investors (USAID Report, 2004). State participation in economic activity is declining and the privatization process is almost completed.

The country has abundant natural resources (land, coal, titanium, natural gas, hydropower), tremendous opportunities in tourism and construction sectors, following the infrastructure construction plan supported by the donor community, strategic geographical location to several landlocked countries and preferential access to important markets (African Development Bank Report, 2006).

Summary of its respective ratings (source: www.efic.gov.au)

- The OECD rates Mozambique 7, its lowest category.
- Two ratings agencies, Standard & Poor's and Fitch, assign credit ratings to Mozambique. Both give the country a speculative grade B for long term foreign currency obligations. This is low, but better than the CCC Fitch gives to neighbouring Malawi and to Gambia.
- The World Bank puts Mozambique in the second bottom quartile of 213 countries for its six governance indicators – voice and accountability, government effectiveness, regulatory quality, rule of law, political stability, and corruption. Since 1998 the country has shown some big improvements in introducing the rule of law and combating corruption, but regulatory quality has slipped a small amount.
- Mozambique is currently ranked 140 (out of 175 countries) in the World Bank's Doing Business 2006 database. On the African Competitiveness Report for 2004, Mozambique was ranked 20th of 25 sub-Saharan countries.
- The UN gives Mozambique a very poor Human Development Index (HDI), ranking it 171 out of 177 countries. The HDI combines measures of four things – life expectancy, adult literacy, school/university enrolment and per capita GDP.
- The Heritage Foundation think-tank places Mozambique in its 'Mostly Unfree' category, with an 'economic freedom score' of 3.35 on a 1 (best) - 5 (worst) scale.
- Transparency International ranks Mozambique 99 out of 163 countries for perceived levels of corruption among politicians and public officials. It scores only 2.8 marks out of a possible 10 for clean government.
- Freedom House, a democracy/civil rights monitor, places Mozambique in its 'Partly Free' category, with a score of 3 for political rights and 4 for civil liberties on a scale of 1 (best) – 7 (worst).

On a more positive note, the IMF thinks that 'Mozambique is a success story in Sub-Saharan Africa, benefiting from sustained large foreign aid inflows, strong and broad-based growth and deep poverty reduction.' (www.imf.org).

More recently (October 2007), the former President of Mozambique Mr Joaquim Chissano, received the Mo Ibrahim prize for achievement in African Leadership, which is a further demonstration of how Mozambique is recognised as a success story in Africa.

2.2. Entrepreneurship and Economic Growth

It is widely thought that countries that have managed to stimulate entrepreneurship through economic policies and strategies are countries that experience high-levels of economic growth. Reynolds et al., in the Global Entrepreneurship Monitor 2002 Executive Report, established that countries with high levels of entrepreneurship have been able to stimulate high-levels of economic growth. Further research has supported this notion that there is a positive relationship between levels of entrepreneurial activity and economic growth across countries (Zacharakis, Bygrave, and Shepard, 2000). A number of researchers have noted that over the past 20 years new and existing SMEs have been identified by most western government as significant components of economic strategies for job and wealth creation (Carson et. al., 1995; Kuratko and Hodgetts, 1995). The International Finance Corporation (IFC) has obviously seen this in the Mozambican context, as they have recently introduced their Mozambique SME Initiative. MSI provides financing and technical assistance to SMEs and aims to build the Mozambican economy's "missing middle" (www.ifc.org/africa).

Clive Cook in his article called Third World Economic Development (Cook, 1989) noted that the countries who failed when it came to economic development are the ones that gave only a small role, if any, to private enterprises and did not adopt a market friendly approach to economic policy. He goes onto say that there is no lack of entrepreneurship in the Third World ... to release its huge potential, governments first need to do much less. Above all, they must stop trying to micromanage the process of industrialisation, whether through trade policy, industrial licensing, or direct control of state-owned enterprises.

Interestingly, a number of recent studies challenge the view that small and medium enterprises make special economic contributions, and question the claim that SMEs have a particularly strong effect on encouraging growth and

fighting poverty (Biggs, 2002; Castel-Branco 2003; Beck et. al., 2003). One of the reasons may be that a vast number of studies has confirmed that SMEs in the third world are seriously impaired by the lack of managerial and employer's skills, as well as by little access to capital and technology (Meyer-Stamer, 2001). Though a strong SME sector is very often a characteristic of successful economies, it is undeniable that large enterprises have been an important driving force behind the growth of many industrial nations due to the ability of the larger firms to avoid size constraints implied by the need to trade internationally (Limburg, 2004).

To overcome these challenges and maintain some focus on SME development as a means to stimulate economic development, the focus of external intervention in this area has shifted towards promoting export or trade clusters to help integrate SMEs into value chains and thereby give them the cumulative critical mass to compete on a global scale (Limburg, 2004). Examples of this in Mozambique are the Mozal Aluminium Smelter project, which took place in a defined free trade environment just outside Maputo. This project has pulled together a number of SMEs to help support and benefit from offshoot opportunities of the project. Another project that is looking to do this is the IFC's SEATIP Project, which is a program to promote private sector tourism investment in southern Africa. In the Mozambican context it is looking to support a multitude of tourism and supporting SMEs in a defined corridor, such that as a cluster, these businesses will stand to benefit from marketing to international guests who would be looking to visit the this region of southern Africa as a destination.

2.3. Mozambique – The need for SME development

A key element of the government's growth strategy to date has been the development of mega projects like Cabora Bassa (Power), Mozal (Aluminium) and the Timane Gas Fields (Natural Gas). Unfortunately the net benefit of these projects on the balance of payments has been tainted due the large amount of imports that are required to stimulate the exports generated by the projects. Ultimately they will be important sources of income, but they are not sufficient to generate the kinds of growth the country has targeted in its medium to long term planning (Nazzir et. al., 2003). In an interesting bit of analysis performed by Nazzir et.al., the authors established that the expected

20 odd thousand jobs to be created by the planned mega projects between 2003 and 2010 would represent only 1% of the 3.7 million new workers that would be entering into the market in the same time. In addition they noted that capital outlay for these mega projects per job created would be in the region of \$1 to \$2 million, which is contrasted to the then current average capital outlay per job for existing firms in Mozambique of \$15 000. Using these numbers, it can be concluded that given those amounts of capital, the existing firms in Mozambique could create in excess of 100 times more jobs than the planned mega projects. Although this is a gross over simplification of the situation, it does indicate that by directing capital to SMEs and entrepreneurs in Mozambique, the government would go a long way to stimulating broad based growth and job creation.

2.4. Mozambique – Documented Challenges to Business in the Country

Despite the achievements and positive progression made by Mozambique in recent years, the country faces tremendous challenges that require perseverance in reforms as well as substantial donor support. Mozambique still has:

- (i) an inadequate legal and regulatory framework for economic activity;
- (ii) considerable costs of doing business and poor access to credit and micro-finance;
- (iii) weak infrastructure;
- (iv) low economic diversification with high dependency on the agriculture sector;
- (v) low level of domestic savings, partly due to low incomes and poor access to financial services in rural areas;
- (vi) low civil service capacity;
- (vii) high levels of corruption; and
- (viii) strong prevalence of HIV/AIDS,
- (ix) low levels of access to education and
- (x) an inefficient health care service (African Development Bank Report, 2006).

USAID in their Removing Obstacles to Economic Growth in Mozambique report of December 2004 noted the following; “Small and medium enterprises, producers with potential for export growth, have been especially disadvantaged by Mozambique’s complex and burdensome system of approvals, licenses and special levies that impedes market entry and raises the costs of doing business.”

According to the ease of doing business index (Doing Business report 2005 of the World Bank), Mozambique ranks poorly, in the bottom 10% of SADC countries. It takes between 132 and 153 days to start a company (compared to a regional average of 63) and it costs around 96% of per capita income. Few entrepreneurs are willing to endure such a long and high cost process and many give up or remain unregistered. Contract enforcement is difficult due to the inadequacy of the legal and judicial system. Among five selected countries in Southern Africa, Mozambique is by far the country in which debt recovery through the courts takes longest. Apart from insolvency disputes, it takes approximately 540 days to recover a debt in Mozambique, whereas in Malawi, Tanzania and Zambia, the time ranges between 100 and 200 days.

Additionally, the inadequacy of the financial system and labour regulations, difficulty in accessing property and capital, limited institutional and human resource capacity, lack of good governance, difficult access to energy, weak infrastructure, and lack of competitive practices are also obstacles to doing business (Nazzir et. al., 2003).

The Foreign Investment Advisory Services (FIAS) noted in their 2001 report “Overall, the situation on the ground seems to have improved little (since the last FIAS study in 1996), and, in some areas investors perceived more difficulties now than in the past Furthermore, inconsistent implementation and interpretation of the laws and regulations across investors and between regions has given rise to discrimination between investor groups – foreign vs. domestic, large vs. small – and between investors in different locations (capital city vs. provinces), resulting in major constraints for many businesses these bureaucratic procedures and discretionary practices have allowed for corruption which is not only eroding the country’s financial resources, but also damaging the credibility of the government and its policy reforms.

The authors of the Removing Obstacles to Economic Growth in Mozambique report of December 2004, go on to state that corruption is a central governance issue in Mozambique. With particular interest to this study, they provided the following comment on bribery in Vilanculos “A survey of 100 registered businesses in the tourist town of Vilanculos found that 82% paid bribes averaging 9.5% of gross revenues. Mozambican companies paid more

in bribes than did foreign companies. In so doing, these firms were able to evade approximately two-thirds of the taxes they should have paid – costing the government the valued revenue needed for social and economic programs.”

Mozambique is not alone,. A conference organised by the Commonwealth Secretariat, Commonwealth Business Council (CBC) and the World Bank in June 2004 and attended by representatives from Kenya, Mozambique, Tanzania, Uganda and Zambia, the five major issues identified to be addressed by governments and business communities were: improved access to finance; simpler taxation: macroeconomic stability: reduced burdens of red tape: and improving access to reliable electric power supply (CNIS, 2004).

2.5. Case Studies of Reform from Around the World

The World Bank’s *Doing Business Report* is an annual report that investigates regulations that enhance and constrain business activities. The report presents quantitative information, measured over time, which is comparable across 175 economies from around the world.

Regulations affecting 10 areas of everyday business are measured. These include: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

For the purposes of this report, the researcher is going to review some case studies that speak to each of the above mentioned 10 regulatory areas, as the information from these case studies will form the basis for some of the recommendations that are made at the end of the report.

2.5.1. Starting a Business: The El Salvador Case

The case study is drawn from an article entitled *Starting a business (quickly) in El Salvador* written by Newton, Solf, and Vicentini and published in the *Celebrating Reform* publication, which was published by The World Bank in 2007.

El Salvador is an example of a country in a similar situation to that of Mozambique. The country emerged from a civil war and its public offices were shrouded in bureaucracy and corruption, leading to a decline in economic growth as well as limited financial support from the traditional donor organisations and countries. In 2003 the country's leadership decided to take some proactive steps towards improving the situation for investors looking to start a business in that country. Although many of the changes were dramatic, at no stage did the reformers propose changing the law, as this would take too long and was impractical. Some of the actions that were taken included:

- Identifying officials that wanted to be part of the reform to lead and drive the change process. These leaders were given the mandate and resources needed to make the change.
- Implementation of an ISO standards program throughout the commercial registry, which involved eliminating any process or activity that the law did not require.
- Proactive involvement of current staff in the process and limited use of consultants. This not only reduced the cost of the process, but also ensured that the staff bought into the process, as it was their process.
- Introduced information technology to help improve the interaction between departments and thereby improve the flow of information between departments.
- The project culminated in the introduction of a “one-stop-shop” for registering a business. The procedures handled by the “one-stop-shop” included: the company registration, the registration of the initial balance sheet, obtaining the business license, registration for a tax ID, official invoice papers, social security registration and notification to the ministry of labour. Given that this all took place under one roof, with one set of documentation, the government eliminated many of the frustrations that were clearly evident in the VM case discussed in the previous chapter.

As a result of these reforms, El Salvador reduced the number of procedures required to open a business from 12 to 10, but more importantly reduced the number of days required to run the process from 115 to 26. In addition, the

cost of opening the business was reduced from 128% of the gross income per capita to 76%.

2.5.2. Starting a Business: The Serbian Case

The case study is drawn from an article entitled *How to double business entry in two years* written by Jersild and Skoplak and published in the Celebrating Reform publication, which was published by The World Bank in 2007.

Serbia is a country whose company registration process was extremely frustrating and cumbersome, driven mainly by the legacy of many years of communist rule. Some of the issues included the fact that everything had to go through a limited number of courts, the documents required in the process changed depending on which judge presided over the registration, the initial capital requirement was very high and many time consuming inspections were required before the company could become operational. Prior to 2003, much of the business taking place was happening in the informal sector, as it simply wasn't worth trying to register a business. This obviously meant that a significant amount of potential tax revenue was going amiss, as the taxman had no way of controlling the situation. In 2003, the leadership decided to make some wholesale changes, driven mainly by a damning report commissioned by various organisations working in the country at the time. As a result action was taken and changes made. Some of the actions included:

- Creating sound leadership through forming an independent “reform committee”. This committee consisted of non-political professionals.
- Writing and implementing a new law and associated procedures in consultation with other first world registration agencies
- Forming a new agency to implement and administer the new laws.

From the case study, it is evident that there was tremendous resistance to these changes, particularly from the judiciary, as their power and influence was being undermined. However, having implemented the change, the benefits were seen when the time required to register a business went from 51 days in 2004 to 18 days in 2005. In addition, the level of customer satisfaction improved through simple changes in the level of customer service and friendliness of the registration office staff. The most remarkable achievement of this reform is that in the 2 years after its implementation, the

number of registered companies in Serbia doubled and as a result the amount of business taking place in the informal sector reduced.

2.5.3. Licensing a Business: The Georgian Case

The case study is drawn from an article entitled *Licensing 159 activities- not 909* written by Bagaudinova, Omran & Shavurov and published in the Celebrating Reform publication, which was published by The World Bank in 2007.

The Georgian situation had become very serious and there was a very definite case for change. In the years between 1999 and 2003 the economy had barely grown. The revenue lagged projections and as a result the countries external debt levels rose. Eventually the IMF suspended its programme in the country and by 2003 the government not only was experiencing high external debt, but it owed its employees a huge amount too. As a result, half the population was living below the breadline.

When analysed, it was found that Georgia had complicated licensing regime, which was typical of a centrally planned economy. Over 900 business activities required a license and there was no discipline in the government agencies responsible for approving the licenses. There was also no requirement for the officials to issue the license in a timely and transparent fashion. As a result, corruption was rampant and bribes became the way to get things done quickly.

Once the government realised what was happening and how their apathy was stifling the situation, a large scale reform was implemented, and again, the strong leadership of this reform was the key. Some of the actions taken included:

- Drafting a new law that reduced the number of licenses required for doing business. This was done by applying the principle of “why do we need this license?” All ministries and agencies had to show that their license was needed to minimize health, safety and other risks.
- Many of the licenses were shifted to a pure informational obligation, whereby a business could start operations and simply notify the authorities of their operation.

- And again, a “one stop shop” was introduced with a “silence is consent” policy and some stringent statutory time limits for action by the agency employees.

Although the implementation of these actions was plagued with change management issues, the resultant reduction in business licenses from 900 in 2003 to only 159 in 2006 was seen as significant. In 2006, after the implementation of this and other reforms, the country's economy grew by 10.5%, which is a marked improvement on the stagnant state in 1999.

2.5.4. Registering Property: The Georgian Case

The case study is drawn from an article entitled *New Land Administration Reform? Start A Revolution* written by Fidas & McNicholas and published in the *Celebrating Reform* publication, which was published by The World Bank in 2007.

Prior to 1992, land in Georgia was state owned and plots were leased to farmers and town dwellers for commercial use, which was mainly agricultural at the time. In 1992, the land privatisation program began, but the government postponed the reform, because they feared the local mafias would dominate the redistribution process.

In 1996, the law on private ownership of agricultural land was passed. By then nearly 4 million land parcels covering 930 000 hectares had been allocated to 1.4 million households. However, the high registration fee for the land meant that the new owners did not obtain the actual title deeds to the land.

At the time, land management fell to the State Department of Land Management (SDLM), along with several other agencies whose responsibilities overlapped and sometime contradicted one another. As a result, decisions on land management, disposition and registration were often delayed, confused and swayed by bribes.

In 1996, parliament issued the laws on land registration, but the law had a major flaw; the registry recorded only the initial owners and not the subsequent transactions. Some of the other challenges included:

- Conflict of interests between departments responsible for land management.
- Land taxes and land conversion charges were based on land categories assigned by department authorities.
- Local political influence marred land categorisation, dispute mediation, and registration, because the department's own offices were paid by the local government.
- Duplicate fees for services and conflicting property registrations discouraged the public.
- Procedures were cumbersome and confusing.
- Finally, the state department for land management and the bureau of technical inventory were dependent on state funding and they lacked the resources to fulfil all of their responsibilities, which created the opportunity for bribery as a means to improving the situation.

Under-funded and marred by local fiefdoms, land registration was rife with corruption. In addition, low salaries, political influence and poorly defined responsibilities and procedures created many opportunities and incentives for abuse. Although, at the time, agencies charged only nominal fees for the services, one commentator noted “the actual price of land registration was determined by the amount of the bribe and not the actual fee itself.” Matters were made worse by the fact that employees were under-qualified and therefore unfit to do their job.

In 2002, the need for reform was overwhelming. A working group of key stakeholders including state department representatives, international and local groups, was established and priorities identified. In 2003, the working group submitted a discussion paper with the following core objectives:

- To simplify and clarify the registration process.
- To streamline the department's functions.
- To establish a transparent and self financing registry; which made use of a new fee structure to collect revenues.

However, the success of the reform was hampered by the fact that there were many vested interests at local offices and in management, which feared losing influence over land privatisation and administration. In addition, the political environment at the time discouraged taking risk. As such the implementation of the reform did not really get underway until 2004.

It was only after President Mikhail Saakashvili took office on 25 Jan 2004 that the process really started to take shape and the changes were dramatic.

They included:

- The management of the old state department were fired.
- A new agency for land management was formed and all former employees needed to apply for their jobs at the new agency. As a result, the number of state employees in this department dropped from 2100 to 600 and the salaries grew 20 fold.
- Broad information campaigns on the new law and procedures were launched.
- NGOs contributed expertise and technical advise, legal drafting and equipment. In addition, costs for the implementation were covered by a German development agency.

Once everything was in place and the process was well underway, the results were impressive. Some of the recorded highlights were:

- A decline in corruption and improvement in the general level of service improved;
- People were seen to be more willing to enter into the property market, as fees were considered reasonable;
- The new agency became self-funding and the revenue stream grew because of the number of new land registrations and the efficient service provided by the agency;
- The number of procedures, time and costs fell after the new law was introduced and as a result, Georgia moved to being in the 10 least expensive countries to register property and amongst the 15 most efficient in the world, according to the World Bank Doing Business report at the time;
- For private individuals, it meant that having a certificate of registration (title deed) has opened the door to financial options that

weren't available before. In addition, it was noted in the case study that owning land encouraged people to take responsibility for their own futures owning land was an incentive to work harder and live better.

2.5.5. Paying taxes: The Egyptian Case

The case study is drawn from an article entitled *Adding a Million Tax Payers* written by Ramalho and published in the Celebrating Reform publication, which was published by The World Bank in 2007.

In this case, the author discussed the issues that were being experienced in the Egyptian tax realm prior to its reform in 2004. These issues included:

- Tax payers and tax collectors didn't trust each other. The tax payer was assumed to be guilty before being proven innocent and the tax collectors were thought of as fat cats open to large scale bribery and corruption.
- There was a large informal sector of non-paying individuals and businesses with tax evasion being the norm. This perception was being driven by the fact that the tax payer couldn't see their taxes working for them, but rather the fat cats were getting fatter.
- At the time there were high tax rates, both for individuals (up to 32%) and businesses (between 32 to 40%). Egypt was considered to be second worst in the region on the ease-of-paying-taxes scale.
- Over the years there had become a huge variation in the tax rates applied, due mainly to the number of exceptions and exemptions that had crept in to the system over time.
- Traditionally the tax department calculated and communicated the annual tax burden for a particular tax payer. There was a tremendous amount of discretion in the calculation, which added to the lack of trust.
- The old laws made provision for a tax collection bonus for tax collectors, which lead to unilateral and unfair assessment practices without much recourse for the tax payer.

In July 2004 a new cabinet took office with a mandate to reform. One of its goals was to increase employment through investment. To do so, a high

priority was placed on amending the tax law, customs law, and customs tariffs and on enacting competition and antitrust laws. Making Egyptian tax law closer to international practice would increase Egypt's competitiveness and its attractiveness as a destination for foreign investment. Some of the changes made included:

- Reducing the number of tax exemptions, standardising and reducing the tax rates. In most cases, the highest tax rate was 20%, with a scale for individual tax payers.
- The administrative assessment system was replaced by a self assessment system. The actual tax calculation and assessment procedure was simplified, so that tax payers could perform the self assessment. In addition, the individuals making the assessment would be criminally liable for an incorrect assessment (subject to an appeal process).
- There was a change in the notion that the tax payer is considered guilty until proven innocent. Instead the tax payer was trusted, but if found guilty of tax evasion or fraud, the tax payer and their advisors would be severely punished.
- The change to a self-assessment system meant that the tax department needed to become an audit department, which required a change in mindset and additional training of the staff.
- The introduction of an appeal process to ensure the tax payers' rights are protected.

Egypt and its citizens experienced a number of benefits as a result of this reform. These benefits included:

- Tax revenues increased, even though the government expected them to decline in the process.
- Corporate tax collected went up, despite the significant reduction in the published corporate tax rate. Individual tax collected went up marginally.
- Overall the income tax revenue increased from 7% of GDP to 9%
- Egypt's economic performance also improved. Growth in income per capita rose from 2.5% to 4.8%. Domestic investment went from 18% of GDP to 18.7%. The budget deficit was reduced and foreign direct investment increased.

Having noted the benefits of the reform in Egypt, there were some things that could have been done better. These included:

- An improvement in the communication plan for the reform and the training that accompanied the reform. Tax payers needed to be better prepared for the self assessment system.
- An improvement in the campaign to educate the tax payer as to the benefits of paying taxes and how the money is used to improve their situation.
- An improvement in the contact between the tax payer and the tax collector, so that their questions can be answered.
- In improvement in the training of tax officers, particularly as their role shifts from being an assessor to that of an auditor in the new self assessment system.

2.5.6. Trading Cross Border: The Pakistani Case

The case study is drawn from an article entitled *Speeding up Trade* written by Dennis and published in the Celebrating Reform publication, which was published by The World Bank in 2007.

In the years to 2001, Pakistan had experienced a number of attempted reforms in its customs regulation. Starting with computerising some of the process in 1979 and more recent initiatives included an Express Lane Facility (1998) to simplify the examination procedure; an Electronic Assessment System (2000) to automate assessment; and a Risk Indicated Selective Examination (2002) to assess risk in the examination procedure. Other customs-related reforms include outsourcing customs valuation functions to pre-shipment inspection companies, simplifying and enhancing the institutional setup for the duty drawbacks, and bringing customs valuation into conformity with General Agreement on Tariffs and Trade Article 7.

Despite the good intentions, customs clearance continued to be cumbersome and slow. Clearing an import cargo required 62–113 steps and 26–34 customs officials. Clearing an export cargo required 31–46 steps and 17–20 handling officials. Not surprisingly, this left traders in Pakistan at a competitive disadvantage.

When evaluated, the following issues were seen to be causing the problems:

- The reforms were piecemeal. Clearing goods often required a chain of processes (declaration, valuation, examination, payment, and release), so tackling one link in the chain, even if effective, did little to shorten clearance times without attending to the other links.
- Key stakeholders were reluctant to participate. Traders expected that simplifying the duty drawback system would be less advantageous to them. Customs authorities expected that a new valuation scheme would mean large revenue losses.
- Political instability meant that in the 10 years to 2002, the average tenure of the chairman of the Central Bureau of Revenue, a political appointee, was less than a year.
- The turnover of key customs staff was high, hampering continuity.
- Customs operations lacked funds. Indeed, a fiscal crisis in 2001 prompted the reform of the Central Bureau of Revenue (CBR), the umbrella organization for Pakistan customs.

To address these issues, the President of Pakistan appointed an influential and respected former World Bank employee to head the task team responsible for making the required reform happen. At the outset, the task team viewed customs not merely as a revenue generation agency, but as an integral part of economic development. It saw the major benefit from improving customs services in an improved trading environment, with reduced trading times, costs, and documents. Increased trading would create jobs, spur economic growth, and enlarge the revenue base.

The task force also confirmed the inadequacy of the piecemeal approach to earlier customs reforms, flagging corruption; it identified serious problems in business processes and organization, human resources, and information management.

To address the issues identified, the government of Pakistan adopted a strategy which included quick wins and some longer term changes that needed to be implemented. The quick wins included:

- Traders needed to submit a single document, the Pakistan Goods Declaration.
- The Central Bureau of Revenue (CBR) reduced the maximum tariff rates and the number of tariff bands, simplifying the valuation of customs duties.
- The CBR published a new professional code of ethics and conduct, signalling to staff the intent to eliminate corruption.
- To sustain the reforms, the Cabinet Committee for Finance and Revenue, headed by the minister of finance, and the CBR Board, were given fixed 5-year terms. The committee oversaw the CBR reform and reported directly to the president, thereby bringing considerable political clout to the reform.
- The legal basis for several of the medium to long-term measures was sought from the Ministry of Finance and the legislature. These included the CBR's ability to formulate its budget and administrative policies in specific areas, to have flexibility in spending its budget, to decide its compensation structure, and to adopt its own human resource recruitment and development strategy. Given the strong backing for reform, the necessary approvals were granted.

In addition to the above initiatives, the CBR adopted a proactive change management strategy, seeking to involve staff in the reform process by defining expectations, building consensus, and articulating a clear vision. Workers fearing job losses were assured that they would not be forced out of their jobs and that all workers departing voluntarily would get a “golden handshake.” This helped reduce early resistance to reform.

As a result of the above mentioned quick wins and a number of longer term initiatives, trade is now easier in Pakistan, with customs clearance at the Karachi international container terminal dropping from 10 days in 2004 to 4 hours in 2007. Customs revenues are also up, from 115 billion rupees to 138 billion, despite a reduction in tariffs.

2.5.7. Enforcing Contracts: The Nigerian Case

The case study is drawn from an article entitled *Repairing a Car with the Engine Running* written by Hertveldt and published in the Celebrating Reform publication, which was published by The World Bank in 2007.

In 1997 the judicial system in Lagos, Nigeria was in dire straits and people had no faith in getting justice through the courts. The average duration of commercial cases before the court was over 4 years, and new cases filed in the late 1990s did not stand a reasonable chance of being concluded within a decade.

Reform came about after the elections in late 1999. The new governor of Lagos created a justice policy committee, which was tasked with reviewing and reforming the entire legal system. In 2001 a review panel was created to review the performance of judges. Before 2000, no judge had ever been disciplined for corruption in Nigeria, but this was soon to change. Over the next 6 years, the review panel reviewed 130 judges, recommending 8 for dismissal, 15 for compulsory retirement and 12 for reprimands. As of 2002, 21 magistrates and 3 high court judges were either dismissed or retired, which constituted the most thorough overhaul of the judiciary in Nigeria's history.

In May 2001, 26 judges were appointed from diverse backgrounds to the high court; bring the number of judges to 50 and reducing the average age from 55 to 44. The appointees went through a 6 week training programme, which included legal, computer and internet training. To attract the right calibre to the bench and reduce the dependence on bribe money, judges' monthly salaries quadrupled from \$600 to \$2,400 between 1999 and 2001. On top of the salary, each judge receives medical insurance, a free vehicle, and a family house. A study showed that the greatest concern for judges is post-retirement housing. The compensation package now allows judges to lead comfortable lives. And since 2000, the National Judicial Council has given each judge an allowance of \$1,568 for courtroom expenses, with auditors routinely inspecting expense receipts.

22 new court rooms were constructed and 18 were rehabilitated and supplied with computers, air conditioners and generators. Specialised divisions were

introduced in the high court, which included commercial, land, family, revenue, criminal and general civil matters. The judge presiding over a division usually had specialist knowledge and experience in that division.

In addition to the above mentioned spring clean, a new set of court rules was developed using the best practices from judicial systems from around the world. Some of the new rules included:

- Frontloading evidence..... before a case could be registered in the court, the plaintiff is required to present his case including all the evidence. By forcing this step, the judges hoped to eliminate cases that were lodged only to put pressure on the other party.
- Deadline for actions.... certain timeframes to certain actions are stipulated. By missing these deadlines, the case could be ruled against the transgressor or simply thrown out of court.
- Pre-trial conferences.... the new rules required that a mandatory pre-trial conference take place between the judge and the parties to explore the possibility of settling the case amicably out of court. Obviously this step can potentially save a tremendous amount of time and money and if not, it should focus the parties on the issue in dispute.

Automating court information was introduced between January 2005 and April 2007. The information system aims to reduce case backlog and court delays, assign cases randomly and calculate court fees automatically. More importantly, it will measure, manage and improve individual and overall judicial performance. The system also monitors the performance of judges against predetermined targets.

Another radical and effective change was the introduction of citizen mediation centres. In these centres, 38 trained mediators worked to settle small disputes that would otherwise end up in courts. The centres look to resolve disputes quickly, free of cost for the users and they respond to people's need to have their day in court – without getting stuck in formal and lengthy court proceedings.

Although the benefits are far reaching, the proof of the pudding is in the eating. With commercial cases in the Nigerian state of Lagos now being resolved in about a year, there is clearly a marked improvement from the 1997 state of affairs.

3. RESEARCH DESIGN

Yin (2003) in his book *Case Study Research: Design and Methods* has recommended that prior to commencing a case study research project, the researcher should develop a detailed research design. This research design should include the following elements:

- The study's questions
- The study's propositions
- The unit of analysis
- The data collection process
- The data analysis process
- The process for formulating recommendations

The main purpose of the design is to help to avoid the situation in which the evidence does not address the initial research questions.

Yin also describes the need for a research protocol, which is to be developed in the process of the research design. The research protocol not only acts as tool in the planning process of the research study, but Yin also notes the following benefits:

- The protocol creates a structure in which to document the research design and thus can be used to communicate the research design to field agents in the training process prior to them starting in the field.
- The protocol contains the instruments as well as the procedures and general rules to be followed during one or more case study field trips.
- Having a case study protocol is desirable under all circumstances, but is essential if you are doing a multiple-case study
- The protocol is a major way of increasing the quality of the case study research and is intended to guide the investigator in carrying out data collection from a single case study.
- Should further studies of this nature need to be carried out in the future, the research protocol will assist in maintaining the reliability of this future research.

As such, the researcher will now document the research protocol for this study. In doing so, the researcher will touch on all the elements of the research design as noted above.

3.1. Case Study Questions, Propositions and Hypotheses

3.1.1. Questions

“At the heart of the protocol is a set of substantive questions reflecting the actual line of inquiry” Yin (2003). Yin goes on to say that the protocols questions are the researchers’ reminders regarding the information that needs to be collected and why. The questions should ultimately keep the investigator on track as data collection proceeds.

Level 1 Questions – questions asked of specific interviewees

Given that there is not too much information available in the specific area of study, the interviewer started with some fairly broad questions aimed at stimulating a discussion on the research topic. The challenge was then to guide the discussion in specific directions, as and when information was starting to surface. Below are some initial questions that were used to kick the respective discussions off:

- Are there specific challenges that the interviewee is aware of that may affect any business operating in the business environment under review? If so;
 - Define and discuss these challenges from your (the interviewee) perspective. Are these challenges area or situation specific, or could they be regarded as generalisable challenges?
 - Provide examples of the those challenges, with specific names and dates.
 - How were the challenges described above handled? Was the approach effective? How would you (the interviewee) classify this effectiveness?
 - Would you (the interviewee) have handled the situation in the same way? If not, how would you have handled the situation?
- Are you (the interviewee) aware as to where Vilanculos Madeira has come up against such challenges? If so;

- Are you (the interviewee) aware of how those challenges impacted Vilanculos Madeira? What are the measures of this impact?
- Are you (the interviewee) aware of how Vilanculos Madeira dealt with those challenges? If so, please discuss and comment on their approach.
- If you (the interviewee) were the in the management or an owner of Vilanculos Madeira, how would you have handled the situation created by the specific challenge?
- Provide names of potential candidate interviewees that may be able to corroborate the data you have provided and/or provide further input/ evidence into the investigation

Level 2 Questions – questions asked of the case

Once the researcher stepped out of the details, it was necessary that a golden thread of logic be established. It is for this purpose that the level 2 questions were developed. They have been noted below. This section begins with the stated research problem, followed by some detailed questions, which together should address the research problem.

This research study proposes, through case study research, to uncover and understand some of the business challenges and obstacles faced by entrepreneurs and SME business owners in Mozambique, with a view to developing a set of recommendations aimed at both the private sector role players and the government policy makers.

- What are the documented “challenges to doing business” in Mozambique? At what stages in the business life cycle to these challenges tend to occur?
- Do independent persons/ organizations concur with the documented “challenges to doing business” in Mozambique?
- Are those “challenges to doing business” in Mozambique prevalent in Vilanculos?
- How many of the “challenges to doing business” identified in the current literature, has VM had to face while doing business in Vilanculos, Mozambique?

- How have the managers at and investors in VM handled the identified “challenges to doing business”?
- Have VM been successful in handling these “challenges to doing business”?
- How do VM clients, suppliers and other stakeholders perceive VM’s handling of the “challenged to doing business”?
- What conclusions and recommendations can be drawn from the data collected in this research effort?

3.1.2. Propositions/ Hypotheses

Vilanculos Madeira and its personnel have had experience of most of the challenges identified in the literature. However, Vilanculos Madeira and its personnel have managed to weather the storm through mastering a combination of skills. These are skills which would not normally form part of the skill-set held by business personnel in a more developed and progressive business environment.

3.2. Unit of Analysis

The unit of analysis for this study is the collective challenges to doing business experienced by Vilanculos Madeira Lda and how the personnel at Vilanculos Madeira have managed to navigate these challenges.

3.3. Schedule for Doing Study

The study is expected to be completed by 30 November 2007, however the following submission events will be adhered to:

1. Research topic – 31 January, 2007
 - Submit research topic for approval
2. Research proposal – 19 March, 2007
 - Perform preliminary literature review
 - Develop research proposal and initial research design
3. Interim report – 31 May, 2007
 - Complete literature review
 - Complete research design
4. Draft final report – 25 September, 2007
 - Conduct case study interviews

- Follow-up activities (thank you letter)
 - Preparation of case study report
 - Submission of draft report to interviewees for review (transmittal letter)
5. Final report for examination – 30 November, 2007

3.4. Data Collection Procedures

3.4.1. Data collection plan

Yin (2003) presents six commonly used sources of evidence. They are documentation, archival records, interviews, direct observations, participant observation and physical artefacts. Each of these types of evidence has their respective strengths and weaknesses and not all sources of evidence are relevant in all case studies. However, Yin goes onto mention that there are three principles that should be followed to maximize the use of the evidence. The three principles are as follows:

Principle 1: Use Multiple Sources of Evidence

Principle 2: Create a Case Study Database

Principle 3: Maintain a Chain of Evidence

As such, the researcher has set out to apply these principles in the process of collecting the case study data/ evidence in the hopes that the quality (construct validity and reliability) of the study can be maximized in the process.

3.4.2. Source of Evidence

Table 1 presented below details the various sources of evidence that have been prescribed by Yin (2003). For each of these sources of evidence, the researcher has noted the actual item that will be referred to for the purposes of this report.

Table 1: Sources of evidence for this case study

Source of Evidence	Item of Evidence
Documentation	<ul style="list-style-type: none"> ▪ VM strategy document ▪ VM company profile

Archival records	<ul style="list-style-type: none"> ▪ Historic financial statements ▪ Research by independent researchers
Interviews	<ul style="list-style-type: none"> ▪ This forms the major part of the data collection process. Various interviews are to be used, details documented in section 3.4.3
Direct observations	<ul style="list-style-type: none"> ▪ n/a
Participant observations	<ul style="list-style-type: none"> ▪ The researcher is a shareholder and director of VM; as such many of the observations made by him are regarded as participant observations.
Physical artefacts	<ul style="list-style-type: none"> ▪ n/a

3.4.3. Names of interested parties to be interviewed

The researcher has pulled together a list of stakeholders that he felt would contribute to the study of VM. The list includes individuals from inside and outside of the company. Additionally, the cross-section of stakeholders includes private sector, government and NGO representatives, who should enable the researcher obtain a diverse and balanced dataset for analysis in the study. The candidates include:

- Reinier Meyjes (snr.) – Former shareholder in VM
- Reinier Meyjes (jnr.) – Managing Director and current shareholder of VM
- Craig Jones – Director and current shareholder in VM
- Kim Landrey – Significant client of VM
- Arturo Esposito – Significant client of VM
- Sulemane Esep Amuji – Mayor of VNX
- Bernhard Weimer – Member of a non-government organization working in the VNX area and familiar with VM
- Hilario Bungulume – The taxman in VNX
- Lucinda Cruz – Legal advisor to VM
- Samuel Augusto – Mozambican employee at VM
- Werner Pauw – VM’s banker
- Martin Potgieter – Significant supplier to VM

3.4.4. Interview Procedure

In order to assist with standardising the interview procedure, the researcher has documented the following guide to planning and conducting the interview.

- Two weeks prior to the interview, make an appointment with the interviewee and follow-up with the research introduction letter (attached in appendix).
- Two days prior to the interview, confirm the interview date, time and location. Ensure that all questions for the interview are prepared and relevant to the interviewee.
- On the day of the interview, arrive at the venue at least 30min prior to commencing the interview. Ensure that the location is suitably set-up and that coffee/ tea etc. are on hand to help make the interview environment comfortable. Once the interview process commences, primarily establish what the time constraints are, so that deadlines and targets can be set prior to commencing the interview. NB! Switch off all phones and electronic devices and commence the interview.
- On the evening following the interview, prepare the interview notes and thank you letter. Dispatch the thank you letter as soon as possible after the interview.

Although this interview procedure may not take into considerations all the possibilities of the interview process, it should help to guide future interviews and researchers looking to repeat the study.

3.4.5. Use of evidence

As mention in section 3.3.2, the researcher intended to collect multiple sources of evidence in the data collection process. The idea was to achieve convergence of the evidence and hence data triangulation. Thus, any finding or conclusion in the case study is likely to be much more convincing and accurate if it is based on several different sources of information, following a corroboratory mode.

The researcher looked to record details about the context surrounding the case, including information about the physical environment and

any historical, economic, and social factors that have a bearing on the situation. In doing so, the researcher hopes to provide the reader with enough information to draw his own conclusions about the extent to which its findings might be generalisable to other situations.

3.5. Case Study Evaluations

Yin (2003) describes three general analytical strategies for the evaluation of a case study. These strategies are: relying on theoretical propositions, thinking about rival explanations and developing a case description. The researcher has chosen to adopt the latter of these strategies, i.e. developing a case description. The researcher feels that by adopting one of the alternate strategies, the report will possibly miss some valuable information. However, it is highly likely that once the case has been properly described, the use of rival explanations strategy may well become an effective alternative strategy for analysing the data.

When analysing the data, the steps as described in Leedy & Ormrod (2005) were followed:

- 1) Organisation of the case details in order to sketch logical chain of events
- 2) Categorization of the data into meaningful groups of information
- 3) Understanding and interpretation of significant single events and the influence that they might have on the situation/case
- 4) Identification of patterns that point to a general picture rather than segments of information that single events can reveal
- 5) Paint an overall portrait of the case that can be used to explain events and occurrences beyond the immediate situation by synthesising and generalising the information.

As mentioned before, ultimately the researcher looked for convergence (triangulation) of the data, i.e. many separate pieces of information must all point to the same conclusion.

3.6. Case study Report

3.6.1. Audience

Primarily this research report is aimed at the lecturers and examiners of the MBLREPP course at The UNISA Graduate School of Business. As such, the report should demonstrate not only the actual case study and its conclusions, but also the process that was followed in order to arrive at the conclusions drawn.

Secondarily, this research report is aimed at readers who are interested in business development in Mozambique. The group of readers is likely to include new entrepreneurs and investors, government policy makers, and NGOs working to assist the government in addressing the challenges of doing business in Mozambique. Obviously, there will be other researchers and academics that may find the report interesting as a case study that can be used to supplement research of their own.

3.6.2. Outputs

The researcher has defined the following four outputs that will be expected from this study

Output 1: A detailed description of VM, its business, its people, its clients, its suppliers, its business landscape along the life cycle of the business. This description should provide a good indication of the business “as-is” situation.

Output 2: The researcher will look to understand the challenges faced by the business along its life cycle and how they have been overcome.

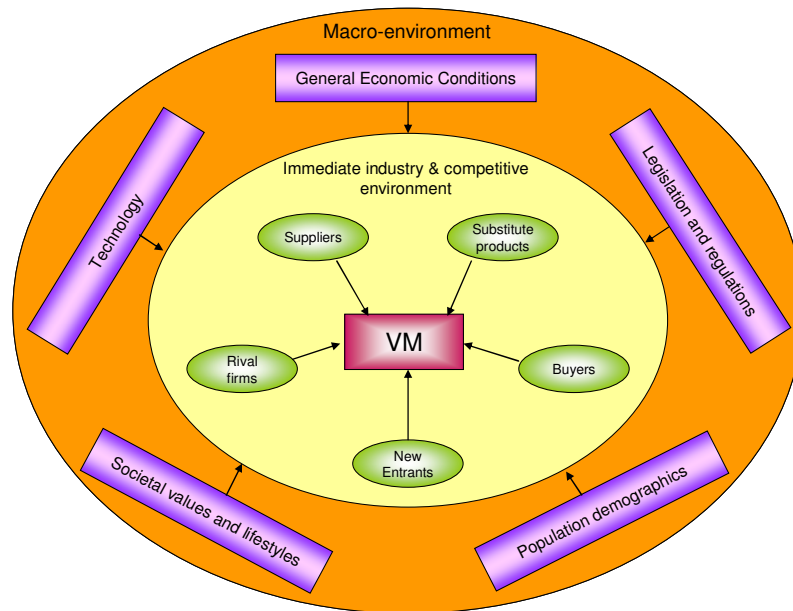
Output 3: The researcher will also look for the positive experiences of the business along its life cycle and how they have contributed to its current situation.

Output 4: The researcher will then look to draw some insightful conclusions and provide some sound and practical recommendations aimed at all stakeholders.

4. RESEARCH RESULTS AND DISCUSSION

In order to organise the research findings of this research report, the researcher has chosen to use some well defined concepts and analytical tools. Conceptually, the macro-environment and industry analysis can be tied together in figure 1, which has been drawn from Thompson, Strickland & Gamble (2005).

Figure 1: The components of VM's environment



It is with the conceptual model that the researcher will attempt the current situation at VM.

4.1 VM's Macro-environment – PESTLE Analysis

The PESTLE analysis is a common framework used to analyse a firm's macro-environment. Detailed below are some interesting findings from the research process, which have been grouped according to the respective components of the PESTLE framework.

4.1.1 Political conditions

- Mozambique is a young democracy and the result of a bloody civil war. As such, many of the current rulers could be considered to have raw “wounds” or scores to settle, which may well be the force driving some of their more questionable actions.

- Although there is an opposition, Renamo, it is not a real force in the political arena. It is regarded as being under-funded and less organised when compared with the ruling party.
- The opposition have threatened to revert to radical tactics to make their point, which could destabilise the democracy.
- The opposition have some political strongholds, which when mobilised, can potentially rock the boat. Geographically, the support base of the opposition party is located in the northern half of Mozambique.
- There is a perception that most of the economic development in the country is concentrated in the southern half of Mozambique and as such, the opposition party is at a disadvantage because of this. This perceived disadvantage is often regarded as one of the issues fuelling the rift between the ruling party and the opposition.
- Although the top brass in the country can be regarded as well educated, the “middle” management are not very well educated and often do not understand the politically sensitive nature of the country. As such their actions are often insensitive to the situation.
- In the business arena, one gets the feeling that there is some sort of “ruling elite” in Mozambique, which as a group have the “real” say in how things are done. To achieve anything of economic significance in the country, one must get the support of the “ruling elite”, which ultimately has a price. One interviewee cited the example of ENMO, a foreign owned power distribution company operating in Vilanculos, which has recently been kicked out of country and their assets effectively nationalised for no apparent reason. When the story was investigated a little, it would appear that their concession contract was hampering some other development in the area and apparently the stakeholders in this other development were influential enough to have the ENMO contract cancelled and the company’s employees thrown out the country. If this scenario is true, this would be a classic example of the “ruling elite” flexing their muscles.

- Many of the governance structures in Mozambique resemble the old Portuguese structures, but with little or no development and maintenance over time. It is this situation, coupled with under-skilled civil servants, that is considered to be the driving force behind bureaucracy in the country.

4.1.2 General economic conditions

- The current economic climate could be described as buoyant, with healthy growth in the GDP. As noted in the literature review, the last 3 years has seen an average GDP growth rate of 7.6%, which is exceptional.
- The exceptional growth rate can be attributed to the low base from which Mozambique has started. The literature indicates that the GDP growth will find an equilibrium point and stabilise somewhere around 5%.
- Over the years, there have been a number of mega-projects, which have been the main contributors to the current GDP growth. This trend is expected to continue in the immediate future. Unfortunately there has not been as much successful project activity in the SME business sector, which may indicate that the GDP growth is not sustainable.
- The focal sectors for investment in Mozambique to date have been Tourism, Agriculture and Minerals & Energy and as a result these are the sectors that are experiencing the greatest economic development.
- On a more local level, the economic development in Vilanculos is being driven by tourism and the fact that the Bazaruto Archipelago is a world renowned island destination with good weather and excellent diving and fishing. The sentiment amongst those interviewed is that, all things being equal, this situation is likely to continue for the short to medium future. Mr Landry from Benguerra Lodge cited the expected growth in tourism, particularly foreign tourism, and the associated investment being seen in the area, as a major contributing factor to his further investment in their lodge in 2008.

4.1.3 Legislation and regulation

- The legislative environment in Mozambique could be considered its Achilles heel and probably the biggest inhibitor to the country's development. This is for two reasons: on one hand the laws and, regulations are often very complicated and difficult to implement; on the other hand, the government officials employed to implement and enforce these laws and regulations are often underqualified to perform their role, which leaves the door open for interpretation errors.
- There are a number of instances in the data, which can be used to demonstrate how in one part of the country the law is interpreted one way and in another part of the country the law is interpreted in another way. Mrs Lucinda Cruz made mention of how a controversial piece of land law relating to how the right to use land within the maritime zone along the Mozambican coast is being interpreted in Vilanculos versus in Maputo. In this particular instance there is no clear guideline as to how the situation should be handled, which is resulting in a tremendous amount of conflict over what ultimately is very valuable land. Unfortunately, the legal framework does not make provision for case history as a form of defence, so there is often no golden thread to guide the interpretation of the law.
- One of the laws that is considered to be hampering economic development the most in Mozambique is the current land law and the fact that no individual can get title to a piece of land. Mr Werner Pauw of Banco Austral made mention of the fact that it was very hard for the bank to secure any loans in the country, because they cannot mortgage land, which means the bank finds it hard to loan the kind of money they wish without taking serious risk. As one can imagine, without access to capital, the people of Mozambique find it hard to advance their lot in life.
- A tremendous amount of work as been done in recent years on the country's legislation, with a view to making it more user friendly for the common people. However, this is a long road and the changes required won't happen overnight.

- Regulation and the issues with the current situation have been expanded upon in section 4.3 of this report.

4.1.4 Population demographics

- Mozambique has approximately 20 million people, of which 54% live below the breadline.
- The country's people are generally under-educated, with 54% of the economically active population being illiterate (World Bank website).
- Vilanculos, being a rural community, has a greater percentage of uneducated people, which means the skill level in the area is considerably lower than places like Maputo, Beira and Inhambane. This obviously has a direct impact on the employability of the individuals, which drives the need for business to look to import skills to the area. Mr Craig Jones, director and owner of VM, cited examples of how the organisation is battling to find suitable people to fulfil the roles of accountant, human resource manager, mechanic and other positions that require skilled and educated people. Even on a national basis, the search has not yielded suitable candidates that are willing to relocate to Vilanculos.

4.1.5 Social values and lifestyles

- Many of the values in the country stem from the traditionally African heritage of the people. The term "ubuntu" comes to mind, which can be roughly translated to "I exist because we exist". However there have been a number of other influences to the current make up of the country's value system, including the influence of Muslim and Portuguese colonists over time.
- For most of the rural population in Mozambique, the lifestyle is still one of subsistence. This existence only tends to change in the urban areas, where a more western lifestyle has been adopted. Having said this, there are even places in and around Maputo where people live a very basic lifestyle based on their traditional subsistence ways.

- When looking around Vilanculos and Mozambique in general, it is very clear that there is a massive divide between the “haves” and the “have-nots”. Mr Bernhard Weimer noted that there has been a noticeable increment in crime, particularly in Maputo, which could probably be attributed to this divide. Although this is not a unique social issue, it is an issue that is only just starting to shape the way people behave.

4.1.6 Technology

- In this day and age in Mozambique, technology is generally available to a much wider audience than it has been in the past. With the advent of wireless technology, it has been a lot easier and cheaper to roll out technology based communication solutions to even the most remote places.
- Mozambique has a very active cell phone market, with two national operators providing the full range of mobile services. As a result, a large part of the population is able to communicate telephonically with friends, relatives and businesses associates across the country. Mr Reinier Meyjes (snr.), who is a regular visitor to Mozambique from South Africa, noted how many people have cell phones. Even those who are evidently poor are able to own a phone, which demonstrates this phenomenon.
- Technology that is able to bring the internet to the people is available, with service providers and backbone spread across the country, but as a technology it is extremely under-utilised by the general population, probably due to low levels of education and the limited amount of end-user hardware that is required to logon to the backbone that exists.
- Unlike in the rest of the world, the use of technology to support commerce is still relatively rare in Mozambique. One of the main contributors to this is the fact that the government’s finance department generally frowns upon the use of computer based accounting packages for invoicing and the maintenance of accounts in general. When asked about this, Mr Sulemane Esep Amuji, the Mayor of Vilanculos, attributed it to the low levels of education and computer literacy amongst the government

employees responsible for monitoring and controlling the various processes.

- Automated payment technologies and being able to use online banking are amongst some of the technologies that still require development. Although they are available, their use is not nearly as popular as they are in some of the neighbouring countries, particularly South Africa.
- Vilanculos has a fairly advanced telecommunication infrastructure that includes both fixed line and wireless components. Interestingly, the town has recently gained a broadband internet service, but true to form, this service is currently very unreliable.
- Vilanculos has a power service provider, which is privately owned and operated under license from the government. Power has, in the past, been a major problem for investors to Vilanculos. However, since its privatisation, the service has improved, but at a fairly high cost to the consumer. Unfortunately this high cost has marginalised many of the local would-be consumers and this is currently leading to an uprising amongst the local population, which ultimately is going to threaten the quality of the service that is currently provided. The damage is already being felt with ENMO being kicked out of the country as mentioned earlier in the report.

4.1.7 Environment

- The existence of a pristine environment is probably one of the most valuable assets in Mozambique's bouquet of assets. The fact that the country still has large tracts of untouched landscape, both inland and on the coast, makes it a very attractive destination for those people looking to get away from it all.
- With the pristine environment goes the abundance of natural resources that are normally associated with these pristine environments and, unfortunately, these very pristine environments become their own worst enemies. There are always individuals and corporations out there that are looking to exploit those

resources in an unsustainable fashion and thereby destroy the very thing that makes the environment so attractive to others.

- Although Mozambique has legislation to protect these resources, for a country that doesn't have much more than the resources themselves, many of the laws are "bent" to facilitate commerce and thereby generate revenue for the country.
- In the context of Vilanculos Madeira, the natural resources that are in play are natural hardwood forests and the beautiful beaches/coastline of Mozambique. In the both instances, these are resources that are highly sought after in the global context and as a result are the focal point of the business that takes place. Unfortunately one of the resources that is currently being exploited in an unsustainable manner is the natural hardwood forests of the country. VM is working hard to make a difference in their immediate environment, but unfortunately the challenge is a large one, particularly with the Chinese appetite for African hardwood.

4.2 VM's industry and competitive environment – Porter's 5 forces Analysis

The Porter's 5 forces analysis is a common framework used to analyse a firm's industry and competitive environment. Detailed below are some interesting findings from the research process, which have been grouped according to the respective components of the Porter's 5 forces framework.

4.2.1 Competitive pressures associated with the market manoeuvring and jockeying for buyer patronage that goes on amongst rival sellers in the industry

Given that rivalry is characterised as moderate or normal when the manoeuvring among industry members is regarded lively, but still allowing most industry rivals to earn acceptable profits, the consensus seems to be that the rivalry in the Vilanculos market could be considered as normal. These are some of the observations made:

- Vilanculos' construction and construction material market place is particularly small and therefore highly competitive. The situation is made worse by the size of the community, which often

means that business interactions are translated into social interactions and as a result an interesting social dynamic exists.

- The main areas of competition are related to price, quality and the ability to get the job done in what is a particularly challenging business environment. Ultimately these three elements balance each other, in that you can often get a quote to have a job done cheaply, but the sacrifice will definitely be evident in the quality of the work done and/or whether or not the job gets done at all.
- An additional complication to the competitive environment is the legalisation of a company's activities and the associated cost of complying with this legislation. As mentioned earlier in the analysis, the legislation of Mozambique is particularly cumbersome and for a company to comply with all the relevant rules and regulations, there are a number of hidden or indirect costs, which ultimately need to be passed onto the consumer. Credible operators often find that their competitive edge, from a cost point of view, is lost due to this issue. However, in the long run, their competitive edge, from a sustainability point of view, is gained due to this issue. The challenge is to get the market to understand this dynamic and thereby make informed decisions in this regard.
- Buyer demand in the industry is high, because investors are currently few and far between. In addition, many of the buyers are used to getting the services at South African prices, which have proven unsustainable in Mozambique, but this still drives the negotiation process between buyers and suppliers.
- As more investments are made in Mozambique, and specifically Vilanculos, the number of rivals is likely to increase. Mr Craig Jones mentioned that VM is bracing themselves for when some of the larger, more recognised construction companies come to town, as they would become the main competition further down the road.
- Over the years prior to 2007, the market in Vilanculos has been slow-growing, which has meant that there is a scrap for new business and rivalry has intensified. However, in 2007 there seems to have been a rapid growth in investment and hence the

market. This has meant that there is more business to go around and therefore less rivalry (until potential new entrants get wind of the opportunities).

- To manage its way through these pressures, VM has worked to improve the quality of its products and services, improved its brand, and improved the efficiency of its operations. To date, VM has resisted the pressures to lower the price of their products, as the above mentioned moves have improved efficiencies, but lowering the price and squeezing the margin is an option for the future.

4.2.2 Competitive pressures associated with the threat of new entrants into the market

As investors become more comfortable with Mozambique as a destination for their investments, the prospects for new entrants will improve and the competitive pressures in the Vilanculos market are likely to increase. It is believed that when certain potential new entrants decide to enter the market, i.e. those with the necessary resources to work through the barriers to entry, the competitive pressures will increase and the service will get better and cheaper simultaneously. These are some of the observations made:

- The current pressure from new entrants can be classified as normal.
- The barriers to entry in Vilanculos are high, but often new entrants don't see these barriers until they are in the action, at which point it is often too late.
- Because the margins are so high in the current market, it is often regarded as a lucrative market by potential new entrants. Often the first step by new entrants into the market is to undercut the incumbents, but these new entrants don't always appreciate the hidden costs associated with being legal and the additional complications associated with the remote location of Vilanculos. As such, these new entrants tend to fall by the wayside due to non-delivery. The problem is that this practice of undercutting the incumbents has a destabilising effect on the market, because when

the new entrant fails, the market is perceived to be very risky and therefore further investment to the area is slowed.

4.2.3 Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products

Substitute products are not a real influence on the market in which VM operates.

4.2.4 Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration

- Vilanculos is a fairly remote location, particularly given that most of the materials required to build are coming from Maputo and/or South Africa. As such, good supplier relationships are a very necessary part of doing business in the area. Often the relationships are heavily stacked in the favour of suppliers, as the industry is so reliant on the goods, and this often results in the terms and conditions being in favour of the suppliers.
- Although many of the products being supplied are regarded as commodities, the fact that there are so few reliable suppliers to the industry in the area, demands that the buyers tow the supplier's line.
- Ultimately the cost of switching suppliers is high, as the buyer must help the new supplier develop their business into Vilanculos, which often means the buyer must pay the "school fees" for the new supplier. In a few instances, this has resulted in buyers integrating themselves backward into the supply chain, but as competition increases, this practice may prove cumbersome.

4.2.5 Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration

- In the construction and construction material industry, the direct switching cost between suppliers is fairly low, but the indirect costs associated with switching to potentially unreliable suppliers can limit the buyers' willingness to switch.

- Many of the buyers in the industry in and around Vilanculos tend to offer fairly large contracts and as a result, their negotiation position is made that much stronger.
- As a result, it can be concluded that the buyer bargaining power in Vilanculos is regarded as fairly strong, which in turn has an impact on the rivalry in the industry.

4.2.6 Summary of the five competitive forces

In summary, the researcher has noted the following in the industry analysis:

- Rivalry among sellers is normal to high.
- The barriers to entry are fairly high and often prevent rival new entrants from getting a foothold in the environment.
- There are not many substitute products to those that are currently on offer.
- Suppliers are able to exercise considerable bargaining leverage due to limited number of options available to buyers.
- Buyers of construction services are limited to the number of quality suppliers, so their leverage is a little lower. However, with the market being as competitive as it is, the buyer can use the competition to drive pricing down.

If we consider all these forces cumulatively, it is clear that the industry profitability stems from the limited options that the buyers of construction services have when making their purchase decision. This limited number of suppliers is being driven by the high barriers to entry for new entrants. Having said this, the rivalry for new business is high between the incumbents, but there is room for suppliers to compete on price and this will ultimately affect profitability. The corollary to this is that if the barriers to entry were to be reduced, there would be a definite increase in competition in the market and therefore profitability would be reduced over time.

4.3 Challenges to doing business faced by VM – 2003 to 2006

In order to identify some of the challenges that VM has faced in its short history, the researcher has used the categories defined in the annual “doing business report” as published by The World Bank on the website

www.doingbusiness.org. Although, these headings will assist with organising the research being undertaken, the actual surveys used by The World Bank researchers are not directly relevant to the case study at hand. In this light, the researcher has modified the headings to suite the research being done.

4.3.1 Starting and administering the Business

The main challenges faced by the owners of Vilanculos Madeira when their business was registered in 2003 included:

- The laws relevant to the process were not freely available and those copies that were available were only available in Portuguese.
- The government officials responsible for implementing the process were (and remain) only able to communicate in Portuguese.
- The process was (and remains) heavily paper based. The statutes of the company were (and are still) hand written into a book in the registrar's office in Vilanculos. Official documents are drafted on a conventional typewriter, as there are no computers at work in the registrar's office in Vilanculos.
- Although the company is registered at a local level, the process is not regarded as complete until it has been published in the government gazette in Maputo, which for companies in the outlying areas of Mozambique continues to be a logistical challenge.
- The process is very bureaucratic, requiring a number of visits to the public registration offices. Much of the bureaucracy stems from not knowing and understanding the process. This bureaucracy coupled with the language barrier, has opened the door for opportunists who have learnt how to exploit the situation for personal gain.
- In Vilanculos in 2003, there was no proper professional business advice available to investors. There were one or two individuals who, based on their own experiences and connections, were prepared to assist new investors with the registration process, but these individuals were definitely not trained professionals and, as such often produced work that was not technically correct. VM's

owners made use of one of these non-professional “service providers”, which at the time seemed like a great idea and helped speed up the process. However, further down the road, this decision has resulted in a number of other difficulties due mainly to the technical incorrectness of their original registration process. Two issues that come to mind are the fact that their social capital had been incorrectly published in the government gazette and the fact that the company’s declared corporate governance structures are technically incorrect in the eyes of the law. Interestingly these errors were only picked up in 2006, when the company employed a professional lawyer to assist with preparing a bank loan application.

- The main reasons that the owners of VM decided against using professional lawyers and accountants during their start-up process were the fact that, in 2003, these services were only available in Maputo and the associated cost of using such professionals to do any work in Vilanculos was prohibitive. In retrospect, the owners of VM agree that the money that they would have spent on this advice, would have been money well spent in the long run.
- Due to the haphazard nature of the VM registration process, the owners of VM could not clearly define how long the process has taken. The World Bank’s “Doing business survey 2006” states that the Mozambican process should take 113 days to run 13 procedures, but some of the owners and directors of VM were not sure if VM had yet completed all the 13 procedures.
- Another consequence of the haphazard nature of the registration process was that no accurate book has been kept of what the process actually cost the company and as such, quantitative analyses of which steps were value-adding or not cannot be undertaken. However on a qualitative level, the amount of time and effort required from the owners and managers of the company to get the company into up and running may well have infringed on the time required to manage and grow the business’s operations.
- As VM’s business has grown and the financial position of the company has improved, the owners and directors of the company

have started making more use of professionals to assist with the business administration.

- In addition, the business has joined a non-profit association of businesses, which through proactive initiatives has begun breaking down some of the barriers to entry. Some of the association's efforts include creating booklets that detail the various laws and regulations in English, toolkits and guides for implementing some of the more difficult and confusing laws and, most importantly, providing the association members with a voice when it comes to lobbying for regulatory change at a local and national level.

4.3.2 Dealing with licensing the business

Having discussed the challenges of registering VM, the researcher will now delve into the challenges identified in relation to licensing the business:

- Primarily, the challenges are very similar to those of registering the business in that the process is conducted in Portuguese and there is little or no information available to assist the new business owner/manager when navigating through the process. The challenge is made that much greater by the fact that, depending on the type of business that has been established, there are different licensing authorities with different requirements, processes and procedures.
- Again with little or no professional advice to assist, the owners and managers of VM needed to navigate this process with the help of some local opportunist who posed as a professional who knew and understood the process. And although the process was considered complete, it was largely incomplete and haphazard by nature.
- Having said all of this, the licensing process for VM took approximately 3 months, which is far quicker than the 364 days quoted in the Doing Business Report of 2006. It was felt that the exceptional speed of VM's licencing process may well be an indication of how variable the bureaucracy makes the process in

that, if someone really wants something to be done quickly, there are ways and means of accomplishing this.

- Something that was noted in the interviews was how important the company licence or “alvara” actually is, particularly for foreign owned and managed businesses. Without it, the owners and managers cannot get work permits and/or temporary resident permits. This creates the proverbial “chicken and egg” scenario. You can’t be in the country to try and get the “alvara”, because you don’t have permission, but you can’t get permission to be in the country without the “alvara” to show that you are going to be working for a recognised and going concern. At VM the “alvara” came first, but it meant that many of the original employees were illegally working in the country, as their work permits could only be obtained once the “alvara” was in hand.
- Between 2003 and now, VM has managed to obtain a number of new operating licences for different lines of business, which together have bolstered the company’s position in the eyes of the government. However, the stakeholders agree that the first licence remains the hardest to obtain and consensus has it that, by not having had access to sound professional advice in the beginning, the process was made that much more difficult.
- Again, no accurate account has been kept of the licencing costs for VM, but experience has showed that as the company has been able to afford the services of professionals to assist with the various processes, the owners and managers have had more time available to focus on managing and growing the business instead of getting caught up in bureaucracy.

4.3.3 Employing workers

In this section of the data discussion, the researcher is going to detail some of the interesting points relating to the employment of workers and the challenges that have been faced by the owners and management of Vilanculos Madeira in the course of conducting its business.

- As mentioned in the introduction to this study, VM was originally formed through the merging of two existing sawmill and joinery

companies. As such, the company inherited many of its staff from the two existing companies. This was an interesting scenario in that it gave the new company an instant human resource, but it also meant that two different groups of people needed to be integrated into one. From the outset, the management of VM needed to work hard to win over the hearts and minds of its people. There were times when the staff decided to embark on mass action and the police were need to assist with maintaining the peace, but there have also been times of harmony when the collective group has come together to achieve some meaningful results.

- Although Mozambique has a labour law in place, the owners and managers at VM have found it difficult to remain within the ambit of the law over the years of operation. Again the problems seem to revolve around the language barrier and the lack of professional advice to assist with understanding and implementing the law as it is intended. However, there are also many impractical elements to the law, which tend to make the business of doing business very difficult and inefficient.
- It is the experience of the management at VM that the law is heavily in favour of the employee, with a heavily socialist undertone. Although there is not a huge union movement in Mozambique, the concept of “ubuntu” is very evident in the way the law is interpreted and applied, particularly amongst the labour department and the employees whose interest the department represents. Obviously the business owners see the situation a little differently and as a result there are often areas of disagreement between the employees, the employers and the government officials who are meant to uphold the law.
- Another challenge that has been identified in the interview process is that of not having suitable candidates available in the area to help navigate and manage the complex HR affairs of the company. VM have on a number of occasions tried to employ people to help manage the company’s HR affairs, but it has become clear that there is a serious gap between the skills required and the skills that are available in the Vilanculos area.

- Even at a local government level, it has also become clear over time that the officials employed to implement and monitor the labour laws in the area, namely the local labour department officials, are themselves underskilled when it comes to performing their jobs. There have been a number of examples of situations where the same element of the law is interpreted differently from one official to the next, which makes seeking advice from those officials a somewhat risky business.
- In the context of running a business in Vilanculos and Mozambique in general, the consensus is that the labour and tax laws are the most complex and cumbersome laws to work within and the officials employed to implement and monitor the application of these laws have at times used this complexity to their advantage for personal gain. It is not uncommon for a business to be inspected, fined and then through some sort of negotiation process, usually involving a backhand settlement, the case is settled without the fine actually being paid.
- An element of the labour law that is extremely difficult to handle, especially in the context of VM, is the employment of foreigners. The owners and management of Vilanculos Madeira have found it necessary to make use of a number of foreigner workers over the years, particularly in area of the business that require educated individuals with skills. These foreign individuals have filled roles through out the company from administration through to technical departments. The consensus was that the company's growth and development has been heavily reliant on their presence. Some of the factors driving the need for foreigners include the unavailability of skills (both locally and nationally), language issues, a general lack of technical knowledge and differences in cultures. The challenge for the owners and management of Vilanculos Madeira has been to try and operate within the ambit of the law, whilst still remaining operational and competitive. It has taken around 4 years to achieve an approximated 80% compliance with the law on this issue, which demonstrates just how challenging the situation can be.

- In the 4 year existence of VM, the company has been forced to implement a retrenchment programme for some of its workers on one occasion. A retrenchment process is never a nice experience for all involved. At VM the process went relatively well and those employees that were asked to leave were dealt with in a fair and transparent manner. One of the main contributors to the success of this programme was the involvement of a skilled and respected union official in the process, which again goes to show that, by involving suitably trained people in the process; even the most complex of laws and associated situations can be handled.
- The assumption seems to be that it should be as easy to apply the law in the rural areas as it is in the urban areas. Unfortunately the respondents felt that, for a number of social reasons, this is not case and for businesses looking to grow and prosper in the rural areas, gaining access to good skilled people is that much harder.
- It is interesting to note that Mozambique ranks 157 of 175 in the “employing workers” index from the annual “Doing Business” study of 2006. And although the ability to fire a person is relatively easy, the cost associated with paying that person off is very high relative to the person’s current wage i.e. Mozambique is ranked at 169 of 175. When questioned about this, the management and owners concurred with the findings, citing their experience in the retrenchment process in 2006.
- In terms of practical labour issues that have cost VM money during the short history of the company, here is a list:
 - Registration with the labour department as a company employing people
 - Annual registration of foreign workers with the labour department, which involves an annual fee and a tremendous amount of paper work
 - Compliance with the annual labour reporting regulations in relation to the current situation of the company’s labour force.
 - The cost of retrenching staff during the planned retrenchment process in 2006

- VM has received various fines relating to alleged non-compliance with the regulation. The issues have included the employment of foreign workers without permission, the incorrect contracting with employees, the incorrect issuing of payslips, the non-registration and payment of social security, the unauthorised working of overtime (both on normal work days and on public holidays), the incorrect termination of workers contracts, the non-compliance with bureaucratic reporting standards and the non-compliance with antiquated health and safety regulations.
- Mr Reinier Meyjes, the MD of VM noted the following: “Given the size and stature of VM it would appear that in its environment the company stands out above the rest and as a result is the first point of call for all labour officials and inspectors.” It was felt that the application of the law is not always consistent across all businesses in the area which results in a playing field that is not always level amongst competing businesses. There were a number of examples provided where other less prominent businesses, local and foreign, were able to get away with a lot more as their presence is less obvious to the officials responsible for monitoring compliance with the law.
- At inspections time, in general, it was felt that the attitude of the officials responsible for monitoring and controlling the application of the law is very hostile. Some of the interviewees felt that the heavy hand with which the officials handled the control of the law seemed to indicate that the revenue gained from fines was an important source of revenue for the government and as such, the incentive was not there to solve the problems, but rather to maintain the status quo of hitting companies hard with fines. Solving the problem would ultimately reduce the government’s income. Further, it was suggested that the officials were provided with personal incentives to issue fines, but this could not be corroborated with evidence.
- Having raised all of the points above, at the time of writing this report, a new labour law had been drafted and signed into law for implementation from 1 Oct 2007. Initial commentary on the new

law was favourable, with many of the impractical elements apparently having been changed, which seemed to ultimately benefit the employer in terms of aiding their ability to implement the law. In addition, it was noticeable that there was far more professional help available to assist businesses to handle the change in the law. Although the help didn't seem to come from the government themselves, there were a number of non-profit organisations and business associations working on empowering business to be able to handle the change. This in itself was considered to be a major step forward for business in the country.

4.3.4 Registering property

Registering property and being able to recognise property as an asset with material value is an important part of the business cycle. It is not only a tool for doing business, but the ability to also pledge property and assets is an important component to securing finance for investment in a business. As such here are some of the documented points and challenges extracted from the interviews that relate to property ownership and registration.

- The primary issue for investors, both local and foreign, is that all land belongs to the government. Investors and individuals are entitled to apply to use the land, but at no stage will the person or entity receive title to that land. For many, the thought of not being able to obtain title to the land is out of the question and therefore deters their desire to invest. However, the consensus seemed to indicate that if this state of affairs can be considered the rules of the game and the entity can trust in the contractual arrangement that is ultimately forged between the government and the entity when the right to land is granted, then business can start to work around the situation.
- Much like the registration and opening of a business, the registration of a property is a highly bureaucratic process, which involves manual interventions across a number of ministries/ departments and can sometimes take a very long time and usually results in a lever arch file full of paperwork. Again one of the

biggest issues here is not having access to professional or trained people who are able to guide a layman through the process.

- Property has a significant value, particularly in a pristine environment like Mozambique. This, along with the bureaucratic and confusing distribution and registration process, creates many opportunities for bribery and corruption. Mr Craig Jones cited his experience of obtaining the rights to a piece of land and how the rules of the game were changed to suite some politically influential people at the time. Mr Jones's story is not unique, as almost all of the interviewees knew of land transactions that involved disputes due to the confusing and bureaucratic manner in which land tenure was managed in Vilanculos.
- In Vilanculos Madeira's situation, the company has managed to register its property and the buildings on it in the company's name. The process took a number of years, but this was again due to the nature of advice that was taken as opposed to the actual process itself. In retrospect, what became evident is that, had VM used professional lawyers to register the land, the process would have been quicker and possibly more technically correct, but it would most definitely have cost more.
- Interestingly, the fact that the process was not technically correct only became evident when the land was put up as security for a loan from the bank, at which point the bank's lawyers scrutinised the process and identified the mistakes. This would indicate that business can be done without a properly registered property, but in the event that something goes wrong, the investor may be at risk with regards to the security of his property and therefore his investment.
- Aside from the VM case, one of the interviewees made an interesting observation relating to the process of registering land and how the people tasked with this process are possibly involved in dubious transactions. The person noted how over the years of his involvement in Vilanculos, he had watched how the individuals in the department responsible for registering land had grown in visible material wealth. Those individuals had moved from walking to work to owning cars, in addition their houses had

shown significant material improvements, some of which are beyond the means of a typical civil servant's salary. Although, in the context of possible bribery and corruption, these are unsubstantiated observations, they do raise some alarms.

- When the researcher looked at the data from the “doing business” survey 2006, Mozambique ranked 105 of 175 in the registering property index, which would make it moderately difficult. However in comparison to its African counterparts, it is 15th on the list of 45, which indicates that it is easier to do than in many of its closest neighbours.

4.3.5 Getting credit

In the doing business survey of 2006, Mozambique was ranked 83rd of the 175 countries studied on the “getting credit” index. This is interesting as it indicates that credit is available, but that it is still fairly hard to actually obtain. Here are some of the notes collected in relation to this element of doing business for Vilanculos Madeira.

- The first asset that Vilanculos Madeira was able to purchase on credit was its generator. Being in the rural parts of the country and without access to the national power grid, the generator was an absolute necessity for VM to operate in 2003. The fact that VM was able to purchase the machine on credit was a major “foot-up” for the company, because at the time, they did not have the resources to buy the generator outright. Although the credit application was fairly simple and the security was the generator itself, the credit provider (in this case Barloworld Mozambique) still needed to take a fair amount of risk when lending the money/asset to VM. The components of this risk included the young age of the company, the lack of operational and financial track record, the associated lack of credit history and the company's location. However, Barloworld took the risk and within 24 months, VM had settled the account for the generator. In retrospect, it was felt that had Barloworld been a recognised lending institution with the kinds of rules and regulations normally at work in such institutions, they may well not have lent the money to VM and the company would have had to slow down its development until

suitable funds could be secured for what was a very important piece of equipment.

- Subsequent to this, VM has managed to secure a few “hire-purchase” finance arrangements both from industrial companies like Barlows and from some of the commercial banks. However, the common thread has always been that the loans are asset backed and often with very strict terms and heavy interest rates in favour of the lending institution. In an environment where experience says that credit is hard to come by, VM and its managers have learnt to accept and use what is available to the best of their ability.
- On a larger scale, VM have had a term loan and overdraft facility application pending for 2 years with their commercial bank of choice. The reason for the delay in finalising the facility stems from the process required for the bank to secure the loan, both from a contractual point of view and from a security point of view. As mentioned in the property registration portion of this analysis, it was during the process of checking the company’s documentation and legal status, that a number of technical errors in VM set-up and land registration were identified. Therefore before the loan agreements could be finalised, the technical errors needed to be corrected, which involved hiring professional lawyers and advisors. Having noted all of this, it seems that the actual process of having the facility offered to the company by the bank was fairly standard and comparable to other more advanced countries.
- When comparing the process to get credit in Mozambique with that of South Africa, it was noted that a major difference is the ability for the lender to trust the information that is given to them when the application is made. In South Africa, the information is fairly standardised and there are a number of checks and balances i.e. auditor reports, tax submissions and credit bureaus, which can be used to evaluate the accuracy and health of those numbers. However, the complexity of the Mozambican tax system and the associated reporting that is required to comply with this system, makes comparing management, audited and statutory accounts

very difficult and, as a result, the credit providers rely heavily on the judgement of their credit committees and personnel to make the right credit decision. This possibly explains why credit is so hard to come by in the Mozambican context, and if it is granted, why the terms are so onerous.

4.3.6 Protecting the company's investors

This is a measure that is extremely relevant, but hopefully doesn't get tested too often. The "doing business 2008" index for Mozambique ranks the country 33rd of the 175 countries measured. This is by far its best rating and would indicate that the country is fairly well developed in this area. If we analyse the components of this index for Mozambique, it makes for interesting reading:

- The Liability of Directors Index is a measure of to what extent the shareholders of a company can hold the directors responsible for poor corporate governance. On a scale of 1 to 10, with 10 being the most accountable, Mozambique scores a 2.
- The Disclosure of Information Index measures the disclosure of information requirement for a particular transaction. On a scale of 1 to 10, with 10 being the maximum amount of disclosure, Mozambique scores a 7.
- The Ease of Shareholder Suits Index measures the amount of access a plaintiff can have to the information required to prosecute a director in the event of poor corporate governance. On a scale of 1 to 10, with 10 being the most access, Mozambique scores a 6.
- The Good Governance Index is the average of the above mentioned indices. On a scale of 1 to 10, with 10 being the highest level of good corporate governance, Mozambique scores a 5.

Given this information, it would appear that Mozambique affords its investors some sort of protection, but there is room for improvement. On the ground this is demonstrated by the number of investors that demand a majority shareholding when investing, as this is deemed to be the safest way to ensure that the investor's rights are protected.

In the context of Vilanculos Madeira, the company was originally established as a 50/50 partnership between two existing businesses for exactly the reasons mentioned above. Subsequently there has been some corporate action, which has resulted in a change in shareholders and the associate proportion of the holdings. However, under the new ownership situation, no single individual has a majority, so the company's owners need to rely on the integrity of the individuals involved and in the worst case, the corporate governance guidelines set out by the country.

Ultimately the company's statutes must comply with the commercial law of the country. The commercial law then provides a guide as to how the affairs of the business must be conducted. At the time of VM's corporate action, the new shareholders consulted with the company's newly appointed lawyer and thereby tried to reduce any risk of non-compliance.

4.3.7 Paying taxes

This element of doing business in rural Mozambique emerged as the element that has posed the most problems to Vilanculos Madeira over the years since 2003. The issues here include:

- The complexity of the tax regulations, and the fact that the reporting structures are in no way similar to the reports used by the owners and managers in previous businesses has meant that this has been the area where the most has had to be learned.
- Many of the regulations are inhibitive and are seemed to be aimed at burdening the business, as opposed to allowing it to get on with the job of earning profits and thereby revenues for the government.
- There is a serious lack of professional advice in Vilanculos and/or Inhambane to assist with performing the statutory accounting and thereby ensuring that the business complies with the various regulations. In the end VM tended to rely on a service provider from Maputo, who due to their distance from the action, was not able to give reliable and accurate information to the management,

which ultimately resulted in some costly mistakes in the resulting statutory reporting. Interestingly, the service provider was not interested in accepting the liability for the errors despite the high fees charged by the accounting firm in question.

- The lack of skilled individuals, local and foreign, in and around Vilanculos has meant that the company was not able to employ the right type of person to help VM and its managers with the day to day accounting activity.
- The low level of financial and accounting skills in the local tax department has also meant that the advice gained from those individuals is often erroneous. This makes working within the law very difficult, particularly for young businesses that don't have access to good professional advice.
- In addition, there were examples of government auditors who, when auditing the company from Maputo, were found wanting when challenged on basic accounting principles relating to how information was reported by the company.
- As noted in the literature review to this report, at one stage Vilanculos was cited as having a generally corrupt finance department, with the main culprit being the then director of the department. This meant that compliance was made that much harder, because the individuals in question would always come looking for something to use against the company and thereby gain leverage for a negotiation on a settlement further down the line.
- VM's managers and owners have tried to maintain a clean sheet in relation to their financial affairs and associated settlements with the finance department. On a number of occasions this has meant bearing the brunt of some hefty fines, but the stance has ultimately allowed the company to maintain its moral high ground in what could have been a potentially immoral situation. Unfortunately this has meant paying legitimate fines when they are issued, which is not always affordable and often gives the impression that the company is moving backwards, but ultimately this approach has been adopted to further demonstrate the

company's integrity when it comes to accepting wrong doing in the eyes of the law.

- When trying to probe some more about the alleged transgressions that resulted in fines, the researcher established that more often than not, the transgressions are caused by negligence and, although this is not an excuse in the eyes of the law, it does seem to highlight some of the shortcomings of the current law and how businesses, particularly foreign owned businesses, are left to their own devices when trying to understand and interpret the law.
- An interesting observation was that amongst average Mozambicans, there is a definite non-tax paying culture. Some of the interviewees cited examples of how certain Mozambican suppliers to the business refused to pay tax and/or have tax withheld on their accounts, with their reasons including the fact that they get nothing in return for the taxes collected and that the only people who benefit from the taxes are the fat cats who sit in positions of power. This is an interesting position coming from a Mozambican national, as it demonstrates a potentially debilitating culture, which threatens to destroy the country's aspirations to move from being a third world economy to that of a first.
- Despite the difficulties faced by VM during its formative years, particularly in relation to complying with the tax laws, it would appear that things are starting to settle now and that through a monumental effort on the part of the management to become familiar with how things are to be done in Mozambique, the company is starting to find it easier to comply with all the necessary regulations. In addition, the growth in the earnings has enabled the company to attract the right type of people with the right skills to assist with doing the statutory accounting and thereby also improving the quality of the work being produced.

In conclusion, if we review how Mozambique has been rated on the "Doing Business 2008" index in relation to its tax regulations, we see that they are ranked 72th of the 175 countries reviewed. Interestingly, of all the indices measured, this is their 2nd best ranked index, which would indicate that like in the "protecting investor" index,

Mozambique seems to handle its tax regulations relatively better than it handles some of its other regulations.

4.3.8 Trading across borders

Mozambique being a net consumer is heavily reliant on imports and as a result the process associated with importing goods is extremely important to business and the development of the country. In the “doing business” survey, Mozambique ranks 140 of 175 on the trading across border index, which indicates that there is a tremendous amount of work to be done for the country to become competitive in this regard. Vilanculos Madeira’s experiences of import and export are as follows:

- Most of the interviewees were able to recite stories of how they had personally crossed the border with undeclared goods, both via car and via air. More often than not, these goods were for personal consumption as opposed to commercial gain, which seems justifiable, but the fact remains that it seems relatively easy to smuggle the goods into the country by paying one or two officials at the border.
- Having said this, most of the same interviewees had had just as much experience with importing goods in the correct and legal way and the consensus was that, unless it was absolutely necessary, the import process should be avoided owing to its highly bureaucratic nature.
- In the long run though, the managers and owners of VM agree that it doesn’t pay to smuggle goods into the country for business purposes, as ultimately, these goods cannot be accounted for and therefore end up costing more money further down the line.
- Many of the items used in the products that VM produces, including the construction works, are imported from South Africa and as a result the company has had a fair amount of experience with the import process. Again it is interesting to note that, in the opinion of those interviewed, the best and only way to make the process as hassle free as possible is to introduce professional specialists into the process as early as possible. In this light, VM has teamed up a recognised clearing agent in Maputo who is

fairly well organised, and probably also connected, and is therefore able to assist with both the import and export processes.

- Given that most of the directors and management employees are from SA and they find it easier to deal with suppliers from SA, the procurement is often done in SA. However, it is becoming increasingly clear that many of the hassles of importing goods from SA can be overcome by proactively sourcing the self same goods in Maputo. As such, the company is actively trying to focus its procurement effort on sourcing goods from Maputo and thereby cutting out the import process as much as possible.
- On the export side of things, VM has made a few attempts at exporting goods through the border to SA. Unfortunately there haven't been enough of these exercises done to really test and understand the process, but in most of the instances so far, the process has been done with the help of the same clearing agent and has run fairly smoothly.

The issues with both importing and exporting seem to be very similar to all the other issues identified in this process, specifically related to not have a clear understanding of the law, not having the right skills working for the company to be able to understand and master the process and not having access to the kind of professional service providers that are needed to help navigate through the technical difficulties of the process.

4.3.9 Enforcing contracts

Much of the activity in and around any business is reliant on contracts signed between the company, its suppliers and its clients. However contracts are not worth much if they cannot be enforced. Ultimately the investor or business person wants to know that if a contract is broken between two parties, there is an understandable and affordable way to ensure that the contractual obligations are fulfilled or, if not, there is a way to recover damages as a result. VM's experiences in this regard are fairly limited, but here are some of the issues that emerged in the interview process.

- One of the respondents recited an example of where he had a contract with the government for a specific piece of land, but unfortunately the government reneged on its part of the contract. However in this instance, before any court action was required, the specific department realised the error in their ways and as a result a settlement was reached and the situation was resolved.
- Although the company doesn't have any examples of when the courts have had to get involved with settling contractual disputes, VM's lawyer indicated that if at all possible, this should be avoided as the process is extremely bureaucratic and more often than not very counter-productive for all involved.
- The fact that any dispute must be raised and resolved in Portuguese is a further complication, which makes the process that much harder for VM and its owners and directors to tackle. In fact, without professional advice, these types of issues can generally not be attempted.
- In addition to the official language being Portuguese, it is the experience of those interviewed that the legal system in operation is very different to that of South Africa and other English speaking countries. Many of the respondents didn't feel very confident about the judicial system and whether a real contentious issue could be settled in fair and transparent manner in the system.
- From a VM point of view, probably the most influencing contract is the contract used to control and manage many of the company's building projects. However, given its complexity, the consensus was that this contractual arrangement would normally be made in English, which makes it that much harder to enforce in the Mozambican court system as very few legal professionals and judges would be prepared to preside over a contractual dispute in English.
- Yet again, the golden thread seems to be the fact that, without the professional advice of a lawyer and/or accountant, working within the ambits of the law is extremely difficult, if not impossible.

On the "Doing Business 2008" index for enforcing contracts, Mozambique is ranked 138 of 175, which again demonstrates that this

element of doing business is far from satisfactory and probably warrants some sort of reform in the future.

4.4 The factors driving industry change around VM

Although a snapshot of the current situation is useful, the researcher felt that it would be informative to also try and understand how the industry environment is changing, so that any trends and new developments can be identified. As such, the researcher has tried to extract interesting findings from the research process, which can be used to analyse the changes occurring in the industry and what is driving these changes.

- Changing appetite for investment into Mozambique is stimulating growth.
- Reduction in uncertainty and business risk is stimulating investment
- Improved regulatory situation is stimulating investment
- Barriers to entry are slowly being reduced and new entrants are entering the market
- Changes in cost and efficiency amongst key competitors is reducing profitability

4.5 How well has the company fared to-date? Is the present strategy working?

While there is merit in evaluating a firm from a qualitative point of view, the best quantitative evidence of how well a firm has done comes from an evaluation of its results. The two best empirical indicators are whether the company is achieving its stated financial and strategic objectives, and whether the company is an above average industry performer.

Included in the appendix to this report are the historic financial results of VM since its beginning in 2003 to present day. As can be seen from those results, the company started with a bang, but has not been able to produce a reliable and stable set of results since its inception.

When asked why the results to December 2006 have been so erratic, the management of VM provided the following reasons:

- The management and shareholders were naïve to the challenges and pitfalls of Mozambique and, at the time, the management steered clear of using professionals due to the cost thereof. This approach to starting and growing a business in Mozambique ended up costing the company a fair amount in “school fees”.
- The situation was made that much more challenging, as the company did not have access to capital, so the financially hard times were that much harder.

However the six months to June 2007 seems to be showing promise for the company with sales being at least a third better than any other period in the company’s history and profits being double any previous period (this is just for six months).

When asked why this is the case, the management of VM provided the following 4 reasons:

- A change in the company’s strategy in 2006, with the emphasis moving away from timber milling and joinery towards doing more construction work.
- The managers of VM purchased the company from the incumbent shareholders in early 2007 and thereby became owners as well as managers, which is always more motivating, particularly in such a challenging environment.
- In early 2007 a cyclone hit the area and created a tremendous amount of work for the construction division and thereby vindicated the decision to focus on this type of work.
- And finally, the company has developed its ability to handle the Mozambican environment, with a variety of proactive initiatives including learning more about the regulatory environment, employing Mozambicans to help handle the various bureaucratic hurdles and finally, making use of professionals if and where necessary.

4.5.1 Key functional strategies implemented to build competitively valuable resource strengths and capabilities

In order to answer some of the challenges set out in the section on challenges to doing business, the researcher will now document some

of the initiatives adopted by the company and its management to try and mitigate some of the identified challenges

4.5.1.1 Financial strategies

As mentioned earlier in the report, it is essential that the management and owners have a firm handle on the accounting and finances of the company, as it is in measuring and comparing these results that progress can be seen. These are some of the initiatives/ strategies that were identified in this area:

- The company has implemented a recognised accounting package and reorganised how the accounting is done to ensure that accurate and timeous results are produced, which then form the focal point of all strategic decision made in the company. The challenge has been to find an accounting package that is understandable and yet also compliant with the Mozambican regulations. To date this has not been 100% achieved and as a result the company is still running a set of management accounts which are independent of its statutory accounts.
- The company has employed a Mozambican accountant to help pull the accounts department into line with the regulations. The interviewees mentioned that this has been a slow and painful process, but at the time of writing this report, this is an initiative that seems to be bearing fruits for the company.
- In addition, the company has retained a consultant to further assist with the statutory accounts and thereby ensure compliance with the regulations.
- Finally, the company has approach its banking partner to assist with a working capital and fixed term facility. The working capital loan is to be used to ease the cash flow constraints the company has experienced in the past, and the term facility will be used to invest in capacity to help grow the firm's business.

4.5.1.2 HR strategies

Given that labour is one of the key elements to the company's success, but that the labour environment is also the most complicated to

navigate, the company has adopted a number of initiatives/ strategies to help handle this element of the business. They include:

- The company has restructured the management setup and added capacity in the HR department. The idea being that, because the company is now employing in excess of 250 people at any one time and with the labour laws being as complex as they are, the need to invest in a proper HR department is imperative.
- The company has retained a law firm to advise the management on the more complex elements of the law, which has already proved useful particularly when the Labour Department issued erroneous fines early in 2007.
- The company has identified key individuals in the firm to work in the HR department and then empowered those individuals with extra training on the various aspects of the labour law.
- The proactive legalisation of foreign workers has been one of the key initiatives in the company, as this seems to be one of the areas that is targeted most during inspections by the labour department.

4.5.1.3 Sales, marketing, promotion, and distribution strategies

It was very clear in the interview process that this is one of the business administration areas that has definitely been neglected to date. However in recent times, there have been a couple of initiatives/ strategies implemented to handle this element. They are:

- The company has started creating a brand and has proactively tried to create some brand awareness in the local market. This has been done through signage, a website and one or two other initiatives relating to stationery and the likes.
- The company has also tried to identify and classify its market, so that appropriate marketing and sales strategies can be adopted for the identified markets.

4.5.1.4 Operations strategies

Operations are the bread and butter of the firm and how things are done in this environment has a direct bearing on how successful the firm is. VM has done a significant amount of work in this area, but it was very clear from the interviews that some co-ordination and

standardisation is required to streamline how things are done. The strategies undertaken to date include:

- Refocusing the operations on construction and producing materials in the saw mill and joinery only for the construction projects being managed by the firm. This step has meant also reorganising the firm's organisational structure to ensure the correct resources are in the correct place.
- In the construction environment, a fair amount of work has been done on project management and the standardisation of various processes and procedures relating to project management, but the interviewees seemed to indicate there is still a tremendous amount of room for improvement in this regard.

4.5.1.5 Supply chain management strategies

In the interview process, it was very clear that the supplies and the supply chain is an extremely important, but challenging environment for the business. It involves some of the more challenging and costly components of doing business in Mozambique, namely transport over long distances and moving items across borders. Over the years the company has tried various tactics to improve this element of the business, but it continues to be a problem. Some of the initiatives include:

- Handling the activities of the entire supply chain from sourcing in SA through to transport into Vilanculos. This strategy was found not to be sustainable, as it involves too many variables and potential pitfalls, most of which are very difficult to manage from Vilanculos.
- The next option was to find service providers who could do the sourcing and transport on behalf of the company. However, the cost of this strategy became prohibitive, because the service providers soon realised that he/she needed to charge a significant service fee to make it worth his/her while.
- Currently the company has settled on a hybrid of these strategies with certain items being passed onto key service providers and other items being handled internally by the company's procurement department. Although this method is regarded as

being fairly labour intensive for VM and its employees, the reliability and affordability of the process makes it worth doing.

- The company has had to invest in a proper procurement department to handle the complexities of sourcing and supply chain management. Materials are the lifeline to VM business and as such the process needs to be managed and properly accounted for.

5. RECOMMENDATIONS & CONCLUSION

Having discussed the situation at VM and described most of the issues and some of the successes that company has faced since its establishment in 2003, the researcher will now look to develop some meaningful recommendations for the government of Mozambique as well as the SME business owner and/or manager operating in Mozambique. Many of these recommendations speak directly to the issues identified, but wherever possible, the researcher has tried to support the recommendation with literature identified in the literature review.

5.1 Recommendations for the government and policy makers of Mozambique

In the literature review, it was established that SME business is the key to creating sustainable growth in a country's economy. Zacharakis, Bygrave, and Shepard supported this notion by noting that there is a positive relationship between levels of entrepreneurial activity and economic growth across countries (Zacharakis, Bygrave, and Shepard, 2000). As such the Government and the policy makers of Mozambique need to take some proactive steps to increase the amount of SME activity in their country.

As has become the modus operandi for this report, the researcher will use the 10 areas of regulation drawn from the World Bank's series of *Doing Business Reports* to help provide the structure for recommendations of the report. A major contribution to the recommendations will be drawn from the various case studies discussed in the literature review to this report.

5.1.1 Starting and administering a business

It is clear from the both the information drawn from the literature review as well as the information collected in the case study of VM, that starting and administering a business in Mozambique is particularly challenging. In summary the issues include: poor on-the-job knowledge levels of the civil servants administering the processes, the general poor level of customer service, the lack of understanding of the concept of customer service and who the customers are, the sheer number of processes and touch points, the lack of

professional advice available to navigate the current environment (particularly in the rural areas), and the general lack of transparency.

The government officials might argue that they require thorough entry procedures to increase the quality of products, make the work environment safer and reduce public liability and environmental degradation, amongst others, but independent research shows that cumbersome entry procedures are associated with more corruption, particularly in developing countries (Doing Business in 2006, Regional Profile, Middle East and North African Region). In fact, each procedure is a point of contact and an opportunity for an official to use his position in office to take a bribe.

Therefore the recommendations relating to starting and administering a business in Mozambique are:

- Primarily, the country's leadership need to see the problem and understand the case for change. This sounds like a simple concept, but as the Serbian and El Salvadorian case studies show, this is probably the most difficult step to take.
- Once the leaders demonstrate the willingness to change, the government will need to form some sort of reform committee, with a strong leader who is non-political and professional. Having said this, the leader needs to be empowered by the government and given the mandate to make the changes required.
- The change project should challenge the existing norms. Input should be sought from all stakeholders, particularly the business people that work within the regulations. In addition, research should be done and best practices should be identified for inclusion into the regulation reform process.
- If possible, the law should not be changed, but rather the unnecessary processes and red-tape should be removed from the equation. If this does not produce the desired improvements, the idea of a law change should be considered.
- Civil servants working in the environment should be part of the change process, both by providing content and in the implementation of the change. They need to own the reform process.

- Civil servants need to be educated on the regulations and on the principles of customer service. They need to be made to understand that it is their responsibility to serve the people who pay their salaries i.e. the taxpayers.
- As was seen in many of the reform case studies, it would be worth considering the implementation of a one-stop-shop for registering a business, such that the entrepreneur can register the company, register the initial balance sheet, obtain the business license, register for a tax ID, obtain official invoice papers, register for social security and notify the ministry of labour. In doing this under one roof, with one set of documentation, the government will eliminate many of the frustrations that were clearly evident in the VM case discussed in the previous chapter.
- As an enabler to this whole process, the Government would need to increase the amount of technology used in the various government departments. With computer based systems, it should be possible to share a large amount of the information collected across various ministries and registration interfaces, as well as reducing the time required for information to flow from one place to the next. This will be a challenge in Mozambique, as not too many of the current government officials are computer literate, but it is a challenge that needs to be overcome in this day and age if the country wants to become competitive.

Mozambique can achieve a lot by proactively reforming how things are done and, hopefully, without changing the law. The key though, is having political leaders who want to change.

5.1.2 Licensing the business

The logic behind the licensing of business activities is that it is a way for the government to control things like public safety, worker health and safety, and other standards. From the data collected, it seems that the government of Mozambique is obsessed with the licensing of all activity within the country. In many ways the situation is similar to that of the Georgian case study that was presented in the literature review. From the outside looking in, the researcher gets the feeling that Mozambique's licensing regulations are those

of a centrally planned economy. Although the government would argue this point, the fact that Portuguese colonies were often run in this manner, could be a reason for this perception. Some of the other issues identified in the research process included: the fact that the licencing rigors across various industries don't seem to relate to the industry norms; the fact that considerable amounts of top management time is taken up in facilitating inspections for licences; again, the issue of underskilled government employees who don't understand the principles of customer service; the fact that foreigners cannot get a work permit until the company is licenced; and finally, the lack of prescribed time limits for approval of the various licences.

With these complications in mind and the information gathered in the literature review process, the researcher would like to make the following recommendations relating to licencing of business activities in Mozambique:

- The government should again look to appoint a committee with strong leadership whose task should be to review and address the current licencing regime in the country.
- The committee should look to apply the simple principle of “why do we need to license this activity?” If the answer to the question does not relate to health, safety and other similar public liabilities, the need for the licence should be removed.
- In the process, government employees should be sensitised to the process and they should look to adopt the above mentioned principle as a day to day way of operating.
- As was the case in Georgia, the Mozambican government would do well to revert to a regime of informational obligation, as opposed to licencing. This way, companies would be obliged to inform the government of their operations, as opposed to asking them if they can operate. This would be a major step for Mozambique, as the country is so used to requiring documents and paperwork to do everything.
- Another benefit of this informational obligation would be that foreign business managers and owners would find it a lot easier to get work permission, as they won't require a licence, which would definitely stimulate foreign investment in SME activity.
- Controversially, the researcher would like to recommend that the Mozambican authorities adopt a “silence is consent” policy and then

take responsibility for the consequences. Although this seems radical, it puts the pressure directly onto the government and its employees to perform, which can only be positive for the country as a whole.

Although some of these recommendations represent “stretched targets”, the researcher believes that they are achievable in Mozambique. The challenge is getting the “old dog to do new tricks”, as this type of reform would need to be implemented within the current structure. Ultimately this becomes a change management challenge, but changes of this magnitude are implemented in businesses around the world, using some basic change management principles and techniques, therefore there is no reason to believe that Mozambique cannot do the same. The key is again the willingness and strength of the reform leader and the quality of the consultants and advisors to the process.

5.1.3 Employing workers

As mentioned in the previous chapter of this report, Mozambique has recently introduced a new labour law, which is aimed at reducing the complexity around labour regulation and thereby, hopefully, making the process more manageable for both the employee and the employer. Because reform has already taken place in this environment and it is too soon to evaluate its success, the researcher’s recommendations are directed at the implementation and application of the new law.

Again, the researcher feels that the government needs to consider how it could better train the civil servants in the Labour Department to facilitate a smoother application and administration of the new law. As was noted in the VM case study, it seems that many of the issues arise from how the law is interpreted by those that are charged with applying and administering it, and this opens the door for questionable and corrupt actions. The less complex and the more transparent the application and administration processes can be made, the more efficient the entire environment is likely to be. Possibly, the government could work on an informational brochure, which could supplement the implementation of the law. The document could provide interpretations of the law, which are made in the spirit of the law and agreed upon by the key stakeholders in the labour tripartite. In addition, the brochure could provide answers to some frequently asked questions. A further

recommendation in this regard would be to provide a regular feedback loop (maybe via a website) for commonly asked questions. The researcher found that, because information is not freely available, the message on a particular aspect or interpretation of the law is not the same when one moves from labour office to labour office.

One of the other issues that was identified in the field, was the fact that there seemed to be a serious skill shortage in the workforce, particularly in the rural area of Vilanculos, which is hampering the development of businesses in the area. Although this is a social issue, it affects the labour output of the country. A progressive recommendation would be for the government to offer incentives to companies to train and up-skill the locals using skilled foreigners and formal training programmes. The incentive could be in the form of providing tax breaks and other similar concessions to companies that can prove they are making progress in this regard. Obviously, the government would need to relax the policies on employment of foreigners, as they would be the primary custodians of the skills that need to be transferred to the locals.

5.1.4 Registering property

The law and processes surrounding the registering of property are a major point of contention according to the data collected in this research report. It was interesting to note how many of the issues that were identified in the case study resemble those of the Georgian case study documented in the literature review. Some of the issues that emerged from the data were:

- The number of agencies and departments that are included in the process makes it cumbersome and confusing for the man on the street, let alone a foreign investor.
- The fact that land is so valuable and the confusion surrounding its registration creates a perfect opportunity for bribery and corruption. This was evident in the Vilanculos context when it was noted how many of the civil servants responsible for the registration process have acquired material wealth in a very short period of time, which on a normal civil servant's salary would be considered impossible.
- The fact that the civil servants tasked with the registration process are under-skilled and definitely not customer focused.

- The fact that people cannot use title to the land as a form of collateral to secure credit from lending organisations.

The reform of this area of regulation is a controversial and onerous task. If we consider the state that Georgia was in prior to finding the will to change, it would appear that Mozambique's "case for change" is not yet there. This does not however prevent the government from addressing some of the issues noted above. Therefore the researcher would like to put forward the following primary recommendations:

- Without changing the law, the government should embark on a process to make the current procedure more transparent and less open to the bribery and corruption that seems to be so prevalent in the process.
- The government should look to improve the levels of customer service in the various departments and to identify the right skill level for the employees of the departments.

Having made the above recommendations, the researcher realises that for these sorts of changes to be implemented, there needs to be a serious case for change which is accompanied by strong political will for change. As was seen in the Georgian case, despite the government having drafted new legislation for the land registration process, the real change only came about when the president of the country fired the existing management of the Land Management Department and then used the new management to create a whole new department.

In the context of the current status quo in Mozambique, it may be very difficult to change the land registration process. Given the importance of land in the development of the Mozambican economy going forward, the government may consider a large scale reform of its current legislation, including the possibility of privatising land in a controlled manner. This however will require some strong and bold leadership from the top.

5.1.5 Getting credit

“(The) inability to access finance may be one of the reasons why we do not see a robust correlation between SME prevalence and economic growth. It

appears that financial constraints are particularly preventing small firms from reaching their growth potential,” these are comments from Alsi Demirgüç-Kunt in his article *Strengthen Access to Finance for Small & Medium-size Enterprises while Improving Business Environment for all Firms*. From these comments it is clear that access to capital is a major contributor to economic progress in any country, particularly developing countries like Mozambique.

As mentioned in the previous chapter, the inability to own and therefore mortgage land is a major stumbling block in the process of getting credit. From a government point of view, the recommendation in this regard would be to look at how title to land can be granted to land owners, such that they can use the title as collateral in the money lending process. This, however, is a difficult and complicated recommendation, as it can have far reaching implications if handled irresponsibly. Switzerland is an example of a country where land is state owned, but their banking system thrives. Therefore, with relation to getting credit, the researcher recommends that Mozambique looks to those countries with similar land tenure arrangements so as to understand how more credit can be granted within the ambit of the current laws and whether there are adjustments that can be made to current policy to make the credit process easier and safer for both the borrower and the lender.

5.1.6 Protecting the company’s investors

Of the ten measures used in the World Bank’s “Doing Business” survey, Mozambique fares the best in this area. The case study seems to support this notion, so there is no immediate recommendation that comes to mind in this regard.

5.1.7 Paying taxes

From the case study, it is clear that this is an area that VM seems to face a number of its challenges. This may be a perception created by the fact that the company’s employees and management don’t fully understand the laws and system that regulate this component of running a business in Mozambique. However, in the context of the global environment, Mozambique does run an accounting system that is different to those experienced in most other countries. Therefore the primary recommendation would be for Mozambique to adopt a more traditional and standard accounting system like GAAP or

IFRS. The reality is that investors are likely to be foreign and as such, these investors have to report to their respective stakeholders in a manner that they understand. With the Mozambican system as it is now, these foreign investors have to keep two sets of accounts, so as to meet the reporting requirements of the Mozambican authorities and those of their stakeholders. This is an expensive exercise, because it means doing the accounts twice. The VM case study demonstrated this. In addition, because the Mozambican system is different to that of the internationally accepted standard, it is very difficult to find professional accountants and lawyers that are versed in both the Mozambican and international systems. When a company does find such an individual, their service fees are usually fairly high; which puts them out of reach of the average SME business owner and manager.

From the case study, it can also be seen that a tremendous amount of time is spent on policing the system. In the article *The Agile Government; It's Not an Oxymoron*, Craig Baker et. al. note the following “ We are learning that citizens in developed countries generally pay their taxes voluntarily as long as they know how much to pay, how to pay and how their taxes work for them. The clearer and more straight-forward these points are, the less time tax agencies spend on chasing down tax evaders.” If the Mozambican tax authorities could adopt this philosophy as a basis for managing their tax system, the researcher believes they could go along way to improving their situation in this regard.

Again, in relation to corruption in this environment, the researcher feels that if the government could reduce ambiguity, complexity and touch points, many of the corrupt practices described in the case could be minimised. If the district tax offices became service providers with quick and transparent processes run by trained individuals, the researcher feels that the occurrences of corrupt activity would decline. The Egyptian case study discussed in the literature review makes for some interesting reading in the context of what was seen in the VM case study. Although Mozambique has attempted a tax reform in years gone by, their implementation seems to be less successful than that of the Egyptians. The biggest lesson would be that of improving the communication between the tax department and the tax payer, such that the tax payer can be made part of the process. In addition, training of the tax

department employees would go along way to improving the poor customer service levels noted in the VM case study.

5.1.8 Trading across borders

Although it is clear from the data collected that there are some serious issues with the customs processes for Mozambique, the root cause of those problems was not clear in the VM case study. As such, the researcher chose not to delve into this issue too much, as it appeared to go beyond the scope of the VM case study. However, if we review the situation in the context of the Pakistani case study noted in the literature review, we see that there are some similar issues.

Therefore, in the context of trying to reform this area of regulation, the researcher would recommend that the reformers adopt a similar philosophy when designing a solution. The philosophy should be that customs should not merely be viewed as a revenue generation agency, but as an integral part of economic development. Through improving the customs environment, the major benefits will be seen in an improved trading environment, with reduced trading times, costs, and documents. Increased trading should create jobs, spur economic growth, and enlarge the revenue base.

5.1.9 Enforcing Contracts

Although the data seems to be fairly scathing about the legal system in Mozambique, the researcher could not find a case where the system had failed any one individual or entity. There was consensus that the system is a long and complicated system, which required the services of legal professionals to navigate, but this is not necessarily different to any other country around the world.

In addition, the researcher was not able to identify data that supported the notion of back logs in the courts. On the bribery front, certain individuals felt that at a regional level, the judges could be coaxed into ruling in your favour, but this was unsubstantiated. Bribery as a tactic seemed futile, as ultimately the individuals had the right to appeal, which usually involved moving to a higher court outside the region, at which point justice is usually done.

5.1.10 Summary of recommendations to Government

In the article *The Agile Government; It's Not an Oxymoron*, Craig Baker et. al. cite reducing complexity, improving customer service, controlling costs and narrowing the focus to concentrate on specific processes as the keys to making people more compliant to government policies, particularly the tax laws, and also shifting their (the government's) employees from being data processors to advisers who help the public. Although this is a stretched target for the Mozambican government, it is a target non-the-less and the government would do well to put this at the centre of any policy reforms it would look to implement going forward. Some of the other measures that Baker et. al. see as important include:

- Improving employee training and skills
- Improving the customer facing IT
- Investing in research innovation and skills
- Improving back office IT
- Reorganise processes for long-term effectiveness
- Restructure for long-term efficiency
- Increase incentives to attract higher calibre management
- Develop public-private partnerships

Although the researcher recognises that some of these recommendations are a little far fetched for rural Mozambique, it is not inconceivable to set these as targets and then go about making the necessary changes to make these targets a reality. As noted in the research data, things like internet and the associated technologies are available in rural Mozambique, so it is possible to computerise some of the inefficient back-office processes and thereby improve the service delivery of the government in the various areas discussed above.

5.2 Recommendations for SME business managers and owners entering into or already operating in Mozambique

Having noted the various recommendations for the government in the previous section of this report, the researcher understands that many of these recommendations are beyond the sphere of influence of the SME business managers and owners and most people in the private sector, let alone foreigners. In fact, until some of the suggested reforms take place, the SME

business managers and owners need to learn how to operate within the confines of the current regulatory environment, such that their investments can realise their potential. As such, the researcher would now like to focus on some actions that the SME business managers and owners can take in the context of the challenging Mozambican business environment, so that they too may find it easier to operate in this environment.

5.2.1 Make use of professionals wherever possible

The primary recommendation for any existing and/or new business manager or owner looking to operate in Mozambique is that money spent on professional advice up front, is money well spent. It became very clear from the various discussions that the researcher held during the data collection process, that those businesses that had made use of recognised professionals at the outset of their business were generally better off further down the line than those that didn't. Although this conclusion is empirical by nature, there is enough evidence in the data to support it. The consensus was that the money paid to professional advisers may seem expensive at the time, but the time saving and security that their advice offers further down the line makes the expense very worthwhile. In addition, the recourse that a business can fall back on in the event of something going wrong is a source of comfort.

The corollary to this piece of advice is that there are many people out there, particularly in the rural areas of Mozambique, who would have you believe that they are professionals and that they are able to help you navigate a particular government process more quickly. However, the data suggests that all too often these alleged professionals are opportunists looking to make a quick buck from the unsuspecting investor and, although sometimes these individuals may achieve some of what they say they will, when the work they have done is scrutinised by a professional further down the line, there are often huge holes in the processes. The implications of this can be significant, depending on where and in which process the mistakes have been made.

We can see in the VM case study that the use of professionals has been the solution to many issues in the start-up and licensing environment, the accounting/ tax environment, the trading across border environment, the labour environment and the finance/ credit environment.

5.2.2 Join an association of businesses to get a voice

Given the challenging business environment, both from a bureaucracy and language point of view, the researcher recommends that businesses working in Mozambique should either form or align themselves with some sort of business association or lobby group. It was evident in the discussions that the researcher had with the various interviewees that as individual businesses, the chances of being heard are very slim. However, when a bunch of businesses band together to form an association, the government tends to take notice. In fact, some government officials, like the Mayor of Vilanculos, strongly suggest that issues should only be raised through a representative association, as this gives the message a lot more credibility and helps avoid direct retaliation in the event that the government official or department doesn't agree with or like the tone of the issue that has been raised.

VM belongs to an association, 'Associação Comercial e Industrial de Sofala' (ACIS), which is actually based in the Sofala Province (North of Inhambane). However, the association's work and the issues they raise are relevant to the operations and administration of VM and therefore belonging to this association has yielded many benefits to VM, its managers and owners. Interestingly, when the membership of ACIS is looked at carefully, it can be seen that there are businesses from across the country that have joined its ranks, which has meant that, as a lobby group, the association is gaining tremendous credibility in the eyes of the Mozambican government. Some of the benefits of belonging to an association include: the power to lobby; the benefit of sharing information (particularly interpretations of the law); the benefit of sharing legal costs; the benefit of sharing the cost of creating informational brochures and training courses; and other benefits that individual businesses may not have the money or resources to initiate themselves.

5.3 Conclusions

Having worked through this case study, the researcher concludes that although a single case study is not always generalisable (noted in the literature review on the case study method); this study has raised some very interesting points both from the government's and from the private sector's

point of view, which hopefully can be used by other parties to makes sense of their situation in Mozambique. The VM case study seemed to reveal many of the issues highlighted in the literature review, but it also provided some insight as to how certain issues can be tackled with success, both by government officials and business owners.

It is clear from the study that much of the work that needs to be done, needs to be done by the Government of Mozambique. The researcher found the additional case studies on reform taking place elsewhere in the world very insightful and useful when trying to develop recommendations for reform in Mozambique. Although, it could be argued that many of the recommendations made in this report are “nice to have”, the mere fact that they could be documented in context and with a particular case study in mind, should hopefully stimulate some thinking in this regard.

What has also become clear, particularly in the case studies documented in the literature review, is that unless there is a political will to make the changes suggested in this study, there is very little chance of any reform taking place. Often the political will is only created when the chips are down or when a new government is elected, neither of which is the case in Mozambique at the moment, so the case for change still needs to be built. As a result, the reform process may be a slow one. Therefore, until the suggested reforms are initiated and implemented correctly, the individuals and businesses operating in the private sector are going to need to work within the current framework in the best way they can. As such, the researcher has provided some guidance and suggestions in this regard, the basis for which has been drawn from the VM case study.

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6.2 Websites

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www.efic.gov.au

www.worldbank.org

www.ifc.org

7. APPENDICIES

7.1 Comments from Research Mentor, Dr D Kriek

Comment on Research Proposal:

Mark,

This looks good to me. The only suggestion is not to be prescriptive about what you want to see in the case. Remember it is research from the bottom up. It is therefore first necessary to write the case and then to look at issues it brings forward. This leads to the theoretical part and expanded literature review on the "issues" or "hook" into the case.

Also wanted to know whether you shouldn't use your consulting experience more. Especially in the manner you indicate how you analysed the company or wrote the case.

I think, however, it is good progress and I am looking forward to the case.

Good luck,

DRIKUS

17 April 2007

Comment on Interim Report:

1. Title of the Proposal/ Report: Title must be concise and descriptive. Limited to 15 words

Why not change it from "a less developed country" to Mozambique?

2. Statement of the Problem: Problem statement (justification, research objectives, thesis statement and discussion / delineation, research questions) Significance and explication of contribution of the work, Context of the work (background, scope, context)

Good

3. Objectives of the Study: Purpose of the work (clarity, relevance, objectives) Comment on whether the objectives of the study are clear and achievable.

Include more on the benefits that could come from the case

4. Assumptions of the Study: Comment on the assumptions of the study

No comment

5. Delimitation of the Study: Comment on what the proposal or report covers and does not attempt to cover. To what areas of the subject matter or geographical areas if any does the proposal confine itself?

No comment

6. Literature Review ((Completed for Interim Report)) Relation of proposed work to existing theory (theory base). Quality and relevance of reviewed works. Usage and critical evaluation of existing work (student understanding of field and works relevant to his/her research) Organisation of the literature review (broad to specific, logical divisions). Comprehensiveness - Among other things, please comment on the student's use of journal articles. No less than 10 journal articles should be used in a research paper and no more than 5 books shall be used for citations. Other sources such as publications on conference proceedings could also be used as part of at most 5 books. The reason for emphasizing sources from scientific journals is that the information from such sources is well researched. The dates of the sources in the body of the literature used should also not be more than 10 years old, except for seminal sources.

I think one of the difficulties of writing a case is that one can only come back to the issues once the study had been done. Bear that in mind in your scheduling that you probably will have to come back and do some more work here once the issues had transpired. The start on the background looks good but rightly one can ask if the search should not be expanded to include other contexts as well.

7. Methodology: Overview of possible methods. Description and justification of chosen method. Appropriateness to and alignment with thesis statement and/or research questions. Quality of research instruments. Quality and relevance of data collected, discussion of reliability and limitations

Ethics: procedures for ensuring ethical research and ethical use of the research. Is it scientific at all? What size of sample has been selected with reference to the total population?

I am happy and looking forward

8. Preliminary Results: Presentation (logical structure, relevance to thesis statement / research questions / research problem). Quality of analysis (focus, accuracy, interpretation, inferences). Quality and coherence of argument and use of evidence. Relation of sub-conclusions to evidence, data and analysis, relation of sub-conclusion to thesis statement / research questions

No comment

9. Tentative Discussion of the Results: Comment on the discussion of the results. Are there some convincing and properly synthesized arguments by the candidate? Discussion of findings (reliability, limitations, extent to which generalisable). Achievement of research goals. Relation to thesis statement /research problem(s), findings. Academic quality of assessment of results. Quality of generalisation. (It is not expected to be an exhaustive discussion for interim report)

No comment

10. Reference citation: List of references (style, completeness, accuracy). Comment whether referencing system is in line with SBL Guidelines. Do all the cited references in the body of the student's work also appear in the list of references at the end of the work? Are there perhaps references in the list of references that are not cited in the text.

No comment

11. Structure and presentation: Chapter and section structure (logic, balance, relevance), Language (clarity, style, grammar, punctuation) Formalities (all necessary sections included, numbering, table of contents, etc.)

No comment

12. General: Importance of the work (contribution made), Overall scholarly quality. Examiner's impression.

I am happy that it is good progress and it seems as if it can be something that can be to your benefit as well. Try and do that deliberately as to include market analysis, financial analysis, etc. This can be a key competitive advantage for the firm as well. Good luck, I'm looking forward to the study.

13. Additional Comments

No comment

14. Other

No comment

Comment on Draft Report:

1. Title of the Proposal/ Report: Title must be concise and descriptive. Limited to 15 words

Title is fine and reflects what the study is all about

2. Statement of the Problem: Problem statement (justification, research objectives, thesis statement and discussion / delineation, research questions) Significance and explication of contribution of the work, Context of the work (background, scope, context)

This part (+objectives) is a part that needs some development. I think it is OK to focus on the obstacles but then it must be linked to lit review and study around sme's and how they operate in Moz as well. Maybe a more general problem statement can be provided and the obstacles linked to that.

3. Objectives of the Study: Purpose of the work (clarity, relevance, objectives) Comment on whether the objectives of the study are clear and achievable.

No comment

4. Assumptions of the Study: Comment on the assumptions of the study

Good

5. Delimitation of the Study: Comment on what the proposal or report covers and does not attempt to cover. To what areas of the subject matter or geographical areas if any does the proposal confine itself?

Good

6. Literature Review (Adapted if necessary to include peculiarities of findings) Relation of proposed work to existing theory (theory base). Quality and relevance of reviewed works. Usage and critical evaluation of existing work (student understanding of field and works relevant to his/her research). Organisation of the literature review (broad to specific, logical divisions). Comprehensiveness - Among other things, please comment on the student's use of journal articles. No less than 10 journal articles should be used in a research paper and no more than 5 books shall be used for citations. Other sources such as publications on conference proceedings could also be used as part of at most 5 books. The reason for emphasizing sources from scientific journals is that the information from such sources is well researched. The dates of the sources in the body of the

literature used should also not be more than 10 years old, except for seminal sources.

You would have picked up from Yin and Eisenhardt that a good case is build around a "hook". I think you can expand this in your study. I know this is a rather challenging part as it requires of you to find a hook, go to literature and then substantiate it through the case although the case should rather be the guiding principle. I.e. this is rather circular, but you should consider some of that reasoning in the study.

7. Methodology: Overview of possible methods. Description and justification of chosen method. Appropriateness to and alignment with thesis statement and/or research questions. Quality of research instruments. Quality and relevance of data collected, discussion of reliability and limitations

Ethics: procedures for ensuring ethical research and ethical use of the research. Is it scientific at all? What size of sample has been selected with reference to the total population?

Good and well done

8. Results: Results should be separated from the discussion: Presentation (logical structure, relevance to thesis statement / research questions / research problem). Quality of analysis (focus, accuracy, interpretation, inferences). Quality and coherence of argument and use of evidence Relation of sub-conclusions to evidence, data and analysis, relation of sub-conclusion to thesis statement / research questions

Refer to 6

9. Discussion of the Results: Comment on the discussion of the results. Are there some convincing and properly synthesized arguments by the candidate? Discussion of findings (reliability, limitations, extent to which generalisable). Achievement of research goals. Relation to thesis statement / research problem(s), findings. Academic quality of assessment of results. Quality of generalisation

Refer to 6

10. Reference citation: Comment whether all the cited references in the body of the student's work also appear in the bibliography/list of references at the end of the work.

No comment

11. Conclusions and recommendations:

Quality of conclusions and recommendations (relevance, practicality, importance)

No comment

12. Structure and presentation: Chapter and section structure (logic, balance, relevance),

Language (clarity, style, grammar, punctuation)

Referencing (style, completeness, accuracy), List of references (style, completeness, accuracy)

Formalities (all necessary sections included, numbering, table of contents, etc.)

Very good

13. General: Importance of the work (contribution made), Overall scholarly quality. Examiner's impression.

No comment

7.2 Letter introducing the study to stakeholders

20 May 2007

To Whom It May Concern:

This letter serves to introduce Mark Davies, a student undertaking a field research project as a prerequisite to completing his Masters of Business Leadership at the University of South Africa. Mr Davies (the researcher) has been tasked by The University to complete a case study of Vilanculos Madeira Lda (VM) in the context of doing business in Vilanculos, Mozambique.

Ultimately, by means of this case study approach, Mr Davies hopes to identify and document answers to such questions as:

- What are the documented “challenges to doing business” in Mozambique and specifically Vilanculos, Mozambique?
- Do independent persons/ organizations concur with the documented “challenges to doing business” in Mozambique?
- Are those “challenges to doing business” in Mozambique prevalent in Vilanculos?
- How many of the “challenges to doing business” identified in the current literature, has VM had to face will doing business in Vilanculos, Mozambique?
- How have the managers at and investors in VM handled the identified “challenges to doing business”?
- Has VM been successful in handling these “challenges to doing business”?
- How do VM clients, suppliers and other stakeholders perceive VM’s handling of the “challenges to doing business”?
- What conclusions and recommendations can be drawn from the data collected in this research effort?

This letter is directed at clients, suppliers and other key stakeholders to Vilanculos Madeira Lda. The researcher requests that you give of your time, experience and patience so that a cross section of data can be collected in this regard. Your co-operation is most essential if the case study is to provide a detailed, accurate and unbiased picture of the situation at hand.

Upfront, I would like to express my gratitude for your assistance. Should you wish to be entered into the mailing list for the final report, please indicate and I will make the necessary arrangements.

Again, thank you very much.

Sincerely,

Mark Davies

7.3 VM's financial results to date

A: VM Balance Sheet – 4 yr Comparison

Vilanculos Madeira Corporation

VMT Balance Sheet

<u>ASSETS</u>	y/e 2004 ZAR	y/e 2005 ZAR	y/e 2006 ZAR	Jun-07 ZAR
Current assets:				
Cash Reserves	140,761	2,048,528	429,644	1,774,369
Accounts Receivable	363,864	-94,246	1,026,704	2,224,610
Stock	256,792	480,480	432,595	797,672
Other Current Assets	7,302	79,673	171,031	97,862
Total current assets	<u>768,719</u>	<u>2,514,435</u>	<u>2,059,974</u>	<u>4,894,513</u>
Fixed assets:				
Total fixed assets	<u>4,458,722</u>	<u>3,556,656</u>	<u>3,225,462</u>	<u>3,589,288</u>
Other assets:				
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,227,440</u>	<u>6,071,091</u>	<u>5,285,436</u>	<u>8,483,801</u>
<u>LIABILITY AND SHAREHOLDER'S EQUITY</u>				
Current liabilities:				
Accounts Payable	728,277	831,446	939,236	316,259
Prepaid deposits	-	-	27,482	455,629
Other Short Term Loans	76,263	298,231	279,404	58,556
Statutory Accounts Payable	5,630	453,002	180,494	531,829
Other current liabilities	-	-	-	-
Total current liabilities	<u>810,170</u>	<u>1,582,680</u>	<u>1,426,616</u>	<u>1,362,274</u>
Long term liabilities:				
Total long term liabilities	<u>3,109,338</u>	<u>2,646,134</u>	<u>2,655,385</u>	<u>2,002,810</u>
Total liabilities	<u>3,919,508</u>	<u>4,228,814</u>	<u>4,082,001</u>	<u>3,365,083</u>
Shareholder's equity:				
Shareholders capital	358,123	309,048	315,436	318,428
Total Retained Earnings	949,810	1,533,229	887,998	4,800,289
Total shareholder's equity	<u>1,307,933</u>	<u>1,842,277</u>	<u>1,203,436</u>	<u>5,118,717</u>
	<u>5,227,440</u>	<u>6,071,091</u>	<u>5,285,436</u>	<u>8,483,801</u>

B: VM Income Statement – 4 yr Comparison**Vilanculos Madeira Corporation**
VMT Income Statement

	12 months to y/e 2004 ZAR 3281	12 months to y/e 2005 ZAR 3802	12 months to y/e 2006 ZAR 3.725	6 months to June 07 ZAR 3.69
Income	<u>2,100,653</u>	<u>9,161,367</u>	<u>6,265,267</u>	<u>14,412,702</u>
COGS	<u>1,308,455</u>	<u>6,110,027</u>	<u>3,374,892</u>	<u>9,904,432</u>
Gross Profit	792,199 38%	3,051,340 33%	2,890,375 46%	4,508,270 31%
Costs & Expenses	<u>346,770</u>	<u>1,577,777</u>	<u>3,142,048</u>	<u>1,546,545</u>
Earnings/(loss) from operations	445,428 21%	1,473,563 16%	(251,673) -4%	2,961,725 21%
Other Income & Expenses	<u>0</u>	<u>(132,654)</u>	<u>(129,692)</u>	<u>3,358</u>
Earnings/(loss) before tax	445,428	1,340,909	(381,365)	2,965,083
Provisions for tax	<u>0</u>	<u>389,401</u>	<u>0</u>	<u>948,827</u>
Net Earnings/ (Loss)	<u>445,428</u> 21%	<u>951,508</u> 10%	<u>(381,365)</u> -6%	<u>2,016,257</u> 14%

7.4 Sample questionnaire used in the interview process

OBSTACLES TO ENTREPRENEURSHIP IN MOZAMBIQUE: THE CASE OF VILANCULOS
MADEIRA, VILANCULOS

The Interim Research Report
presented to the
Graduate School of Business Leadership
University of South Africa

In partial fulfilment of the
requirements for the

MASTERS DEGREE IN BUSINESS LEADERSHIP

by

Mark Davies
STUDENT NUMBER: 70794758

31 May 2007

UNIVERSITY OF SOUTH AFRICA

16 September 2007

To Whom It May Concern:

This letter serves to introduce Mark Davies, a student undertaking a field research project as a prerequisite to completing his Masters of Business Leadership at the University of South Africa. Mr Davies (the researcher) has been tasked by The University to complete a case study of Vilanculos Madeira Lda (VM) in the context of doing business in Vilanculos, Mozambique.

Ultimately, by means of this case study approach, Mr Davies hopes to identify and document answers to such questions as:

- What are the documented “challenges to doing business” in Mozambique and specifically Vilanculos, Mozambique?
- Do independent persons/ organizations concur with the documented “challenges to doing business” in Mozambique?
- Are those “challenges to doing business” in Mozambique prevalent in Vilanculos?
- How many of the “challenges to doing business” identified in the current literature, has VM had to face will doing business in Vilanculos, Mozambique?
- How have the managers at and investors in VM handled the identified “challenges to doing business”?
- Has VM been successful in handling these “challenges to doing business”?
- How do VM clients, suppliers and other stakeholders perceive VM’s handling of the “challenges to doing business”?
- What conclusions and recommendations can be drawn from the data collected in this research effort?

This letter is directed at clients, suppliers and other key stakeholders to Vilanculos Madeira Lda. The researcher requests that you give of your time, experience and patience so that a cross section of data can be collected in this regard. Your co-operation is most essential if the case study is to provide a detailed, accurate and unbiased picture of the situation at hand.

Upfront, I would like to express my gratitude for your assistance. Should you wish to be entered into the mailing list for the final report, please indicate and I will make the necessary arrangements.

Again, thank you very much.

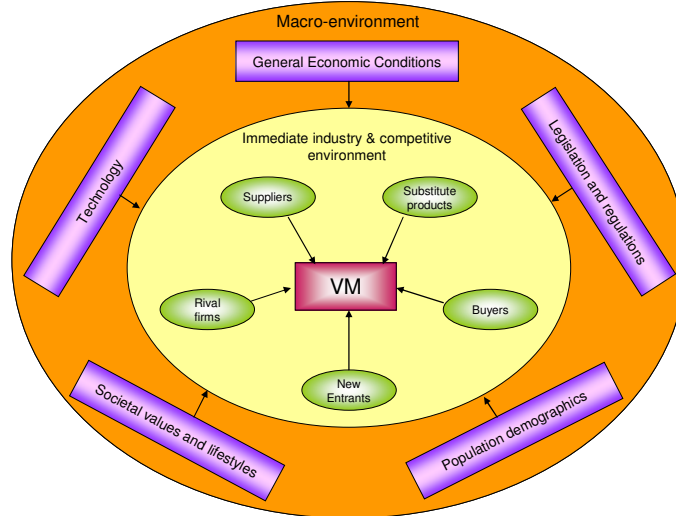
Sincerely,

Mark Davies

RESEARCH QUESTIONNAIRE

In order to organise the output of this research report, the researcher has chosen to use some well defined concepts and analytical tools. Conceptually, the analysis can be tied together in the figure 1, which has been drawn from Thompson, Strickland & Gamble (2005).

Figure 1: The components of VM's environment



5.4 VM's Macro-environment – PESTLE Analysis

The PESTLE analysis is a common framework used to analyse a firm's macro-environment. Detailed below are some interesting findings from the research process, which have been grouped according to the respective components of the PESTLE framework.

5.4.1 Political conditions

- In general, how would you describe Mozambique's political conditions?
- Are you aware of the political objectives of the current Mozambican government? If so, do you feel they are attaining those objectives?
- Is Mozambique a real democracy ... is there a real opposition that has a real chance to compete in the electoral process?
- Given Mozambique's history with regards to the civil war etc. In your opinion, is there a chance of an uprising again? If so, what do you feel would fuel such an uprising?
- Do you believe that Mozambique is governed by a "ruling elite", which ultimately pulls the strings that operate the country's government?
- How would you describe the governance structures of Mozambique i.e. from national to local? Do you feel the system is working?
- In your opinion is there an element of continuous improvement to these governance structures, or are they moving backwards?
- Any other comments on the political situation in Mozambique in the context of business development going forward?

5.4.2 General economic conditions

- How would you describe the current economic conditions in Mozambique?
- On a more specific level, how would you describe the economic situation in Vilanculos?
- What do you attribute the current economic climate to, both nationally and locally? Is it policy driven?
- In your opinion what should the focal sectors be for Mozambique's economic development going forward? Does the Vilanculos district form part of these focal sectors?
- What interventions are having the biggest impact on the current economic conditions both locally and nationally?
- Do you have any economic data to support the description of the current economic situation?

5.4.3 Legislation and regulation

- How would you describe the legislative and regulatory environment in Mozambique?
- How does the legislative and regulatory environment support or hinder business?
- Is the impact different between large, medium or small businesses?
- In your opinion, is there enough regulation to support the growth of small and medium businesses in Mozambique?
- Which laws do you feel inhibit economic development the most?
- Are there laws that support economic development?
- How accessible are the laws to common people, are there enough channels available to both local and foreign citizens to help them understand the laws and their implementation?

5.4.4 Population demographics

- How would you define Mozambique's population demographics?
- How would you describe the population demographics of Vilanculos in comparison to those of Mozambique as a whole?

5.4.5 Social values and lifestyles

- What would best describe the set of values that Mozambique and its people live by?
- What do you think are the influences of these values?
- In general, how would you describe the lifestyle in Mozambique? How does the lifestyle differ between rural and urban populations? How does the lifestyle differ between the haves and the have-nots? How does the lifestyle differ between Mozambicans and foreigners?
- What do you think are the influences of the lifestyles mentioned above?

5.4.6 Technology

- How would you describe the technological footprint in Mozambique?
- Is technology an enabler in Mozambique?
- Briefly discuss your perception of communication technology, transport technology, water and electrical technology, financial technology and any other industrial technology that exists within Mozambique?
- Is the picture different in Vilanculos? Discuss this?

5.4.7 Environment

- How would you describe the environmental conditions in Mozambique? What are the pros and cons of the environmental situation in Mozambique?
- What is the impact of the environment on business and business development in Mozambique?
- Is environmental consciousness having an impact on how people live and work in Mozambique?

5.5 VM's industry and competitive environment – Porter's 5 forces Analysis

The Porter's 5 forces analysis is a common framework used to analyse a firm's industry and competitive environment. Detailed below are some interesting findings from the research process, which have been grouped according to the respective components of the Porter's 5 forces framework.

5.5.1 Competitive pressures associated with the market manoeuvring and jockeying for buyer patronage that goes on amongst rival sellers in the industry

- Describe the pressures in the Vilanculos market in general.
- Describe the pressures in the Vilanculos construction and construction materials markets.
- Are the national and international pressures at work?
- What are the influences of buyer patronage in the context of Vilanculos Madeira?
- Discuss any other relevant points associated with market manoeuvring for buyer patronage that goes on amongst rival sellers in the industry.

5.5.2 Competitive pressures associated with the threat of new entrants into the market

- Describe the pressures in the Vilanculos market in general.
- Describe the pressures in the Vilanculos construction and construction materials markets.
- Are the national and international pressures at work?
- What are the influences of the threat of new entrants in the context of Vilanculos Madeira?
- Discuss any other relevant points associated with the threat of new entrants into the market.

5.5.3 Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products

- Describe the pressures in the Vilanculos market in general.
- Describe the pressures in the Vilanculos construction and construction materials markets.
- Are the national and international pressures at work?
- What are the influences of substitute products in the context of Vilanculos Madeira?
- Discuss any other relevant points associated with substitute products and how they may be influencing the industry

5.5.4 Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration

- Describe the pressures in the Vilanculos market in general.
- Describe the pressures in the Vilanculos construction and construction materials markets.
- Are the national and international pressures at work?

- What are the influences of supplier bargaining power in the context of Vilanculos Madeira?
- Discuss any other relevant points associated with supplier bargaining power and how it may be influencing the industry

5.5.5 Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration

- Describe the pressures in the Vilanculos market in general.
- Describe the pressures in the Vilanculos construction and construction materials markets.
- Are the national and international pressures at work?
- What are the influences of buyer bargaining power in the context of Vilanculos Madeira?
- Discuss any other relevant points associated with buyer bargaining power and how it may be influencing the industry

5.6 Challenges to doing business faced by VM – 2003 to 2006

In order to identify some of the challenges that VM has faced in its short history, the researcher has used the categories defined in the annual “doing business report” as published by The World Bank on the website www.doingbusiness.org. Although, these headings will assist with organising the research being undertaken, the actual surveys used by The World Bank researchers are not directly relevant to the case study at hand. In this light, the research has modified the headings to suite the research being done.

5.6.1 Starting and administering the Business

- Can you relate any issues/ challenges relating to the starting and registering of the business in the context of VM?

5.6.2 Dealing with licensing the business

- Can you relate any issues/ challenges relating to the obtaining of licenses in the context of VM?

5.6.3 Employing workers

- Can you relate any issues/ challenges relating to the employing workers in the context of VM?

5.6.4 Registering property

- Can you relate any issues/ challenges relating to the registering of property in the context of VM?

5.6.5 Getting credit

- Can you relate any issues/ challenges relating to the getting credit in the context of VM?

5.6.6 Protecting the company’s investors

- Can you relate any issues/ challenges relating to the protection of investors in the context of VM?

5.6.7 Paying taxes

- Can you relate any issues/ challenges relating to paying taxes in the context of VM?

5.6.8 Trading across borders

- Can you relate any issues/ challenges relating to trading across borders in the context of VM?

5.6.9 Enforcing contracts

- Can you relate any issues/ challenges relating to enforcing contracts in the context of VM?

5.7 The factors driving industry change around VM

Although a snapshot of the current situation is useful, the researcher felt that it would be informative to also try and understand how the industry environment is changing, so that any trends and new developments can be identified. As such, the researcher has tried to extract interesting findings from the research process, which can be used to analyse the changes occurring in the industry and what is driving these changes.

- In your opinion and in the context of the discussion we have already had, what are the 5 biggest factors driving industry change in and around VM.

5.8 How well has the company fared to-date? Is the present strategy working?

Having reviewed the external elements to VM's situation, the researcher would now like to focus on the internal elements to VM's situation. Primarily, the idea is to look at the company's strategy and how it has developed overtime. This analysis has also been broken into some broad groups, to help the researcher and reader understand the components.

5.8.1 Efforts to build competitive advantage

- Are you aware of any specific efforts that the management of VM have taken to build competitive advantage?
 - Lower costs relative to rivals?
 - A different or better product offering compared to rivals?
 - Superior ability to serve a market niche or specific group of buyers?
- Describe and discuss.

5.8.2 Planned, proactive moves to out-compete rivals

- Are you aware of any specific efforts that the management of VM have taken to build competitive advantage?
 - Better product design, added features, improved quality or service superior technologies, wider product lines
- Describe and discuss.

5.8.3 Moves to respond and react to changing conditions in the macro-environment and in industry and competitive conditions

- Are you aware of any specific moves made by VM to respond to changing conditions in the macro-environment and in the industry and competitive conditions? Describe and discuss.

5.8.4 Scope of geographic coverage

- Would you describe VM as a local, regional, national or multi-national company? Describe and discuss.

5.8.5 Collaborative partnerships and strategic alliances with others

- Are you aware of any partnerships and strategic alliances that VM has entered into, both positive and negative? Describe and discuss.

5.8.6 Key functional strategies implemented to build competitively valuable resource strengths and capabilities

On a more functional level, the researcher would like to know if you are aware of any strategies implemented to build competitively valuable resource strengths and capabilities.

5.8.6.1 Financial strategies

- Describe and discuss.

5.8.6.2 HR strategies

- Describe and discuss.

5.8.6.3 Sales, marketing, promotion, and distribution strategies

- Describe and discuss.

5.8.6.4 Manufacturing strategies

- Describe and discuss.

5.8.6.5 Supply chain management strategies

- Describe and discuss.

5.8.6.6 R&D, technology, engineering strategies

- Describe and discuss.

7.5 Permission to Submit Report

The Programme Administrator: MBL 3
Graduate School of Business Leadership
P O Box 392
UNISA
0003

Fax no: +27 11 6520299

CONSENT TO SUBMIT RESEARCH REPORT

Consent is hereby given to

..... Mark Patrick Davies

Student number70794758..... to submit his/her research report
in its final form.

STUDY LEADERDATE

The participants must obtain this consent from their leader before they submit the final 2
RING BOUND copies of their research report to Elsabe Broodryk at the SBL, Room 2-18