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MANUFACTURING MANAGEMENT IN ZAMBIA: THE CHALLENGE OF THE MARKET ECONOMY

Report: Findings and project proposal

Based on the work of M. Matsushita and C. Manton, UNIDO consultant

V.96-87305

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ABBREVIATIONS

COMESA	Common Market of Eastern and Southern Africa
EU	European Union
GTZ	Gesellschaft für technische Zusammenarbeit (German Agency for Technical Cooperation)
ILO	International Labour Organisation
INDECO	Industrial Development Corporation Limited
MCTI	Ministry of Commerce, Trade and Industry
NIPA	National Institute of Public Administration
PTA	Preferential Trade Area (now called COMESA)
SADC	Southern Africa Development Community
SIDO	Small Industries Development Organisation
SME	Small and medium-sized enterprise
SSA	Sub-Saharan Africa
TNC	Trans-national corporation
USAID	United State Agency for International Development
ZACCI	Zambia Association of Chambers of Commerce and Industry
ZAMIC	Zamanglo Industrial Corporation Limited
ZAMIM	Zambia Institute of Management
ZCCM	Zambia Consolidated Copper Mines Limited
ZCTU	Zambia Congress of Trade Unions
ZIMCO	Zambia Industrial and Mining Corporation Limited

CURRENCY

The Zambian kwacha is freely convertible and exchange controls have been abolished. The official UN exchange rate in June 1995 was US$1 = K853. The weighted average bank bureau mid-rate for March 1995 was US$1 = K816.39. (Source: Bank of Zambia, quoted in 'Profit' magazine.)

The share issue prospectus for Chilanga Cement PLC gives the following US$/kwacha exchange rates at 31 December for the years shown:

1986	1987	1988	1989	1990	1991	1992	1993	1994
13	8	10	22	48	100	379	685	712

SUMMARY

This report follows a similar report on Manufacturing Management in Namibia issued in 1994[1], and follows much the same pattern; it constitutes one output of a project funded by the Government of Japan. It begins by tracing the origins of the two country studies to a case study, made in 1992, of a single firm in Tanzania under Japanese ownership and management. Both enquiries set out to determine whether Japanese management style and techniques could enhance the performance of manufacturing industry and whether generally applicable conclusions could be drawn. In Zambia the studies were complemented by three one-day seminars at which basic principles of Japanese management were presented to audiences of senior managers and officials; these were well attended and well received.

The Japanese-funded project provides for a third country study in Zimbabwe, but it has been found that a good number of Zimbabwean enterprises has already adopted a package of Japanese techniques.

In the second part of the introduction the suitability of Zambian manufacturing industry as a subject for this study is considered. Zambia is a severely indebted low-income country. Zambian industry is in fact in considerable difficulty, and although it faces a wide range of problems some firms could be assisted to overcome them by changes to their HRD policies and practices. UNIDO is well qualified to promote such changes. The organisation is already playing a prominent and well respected role in the Private Sector Development programme. A problem to be confronted is that a good number of firms are wholly or partly in foreign ownership and under foreign management, and it may not always be appropriate for UNIDO to support such firms directly.

The introduction concludes with reservations on the quality of data available in Zambia. Although the reliability of data in many countries must be subject to such doubts, it is understood that data collection in Zambia has been neglected for some years, and as regards industry is complicated by the current privatisation programme.

Chapter 2 starts with a brief description of Zambia's geography and human geography. The generally high altitude assures a relatively cool climate, and the country comprises mostly well-watered savanna woodland. Zambia is landlocked and relies on road and rail transport for carriage of goods. The population is about 9 million, quite highly urban, and rural areas are thus lightly populated. There are some 72 ethnic groups, and English is used as the medium of education and for official purposes. The rate of literacy is high, especially among the young; other social indicators are less positive.

Chapter 2 continues with a brief assessment of the Zambian economy and of industry. The principal economic policy has been one of "liberalisation" since 1991. This entails the removal of controls of all sorts and the commercialisation and privatisation of state-owned or state-controlled enterprises. The process of adjustment (tentatively initiated for a period in the 1980s) has entailed high inflation, a reduction in the external value of the currency (by about 100 times in ten years), decline in GDP per head and a sharp decline in manufacturing output. The mining industry (mostly copper), which accounts for about 85% of export earnings, has also declined in this period. Zambia receives substantial external assistance, financial and technical, but has very high external debt. Current financial policy is as tight as possible with a view to reducing inflation and stabilising the exchange rate.

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[1] **Manufacturing Management in Namibia: Prospects for Innovation**. UNIDO, Vienna, CPD.9 (SPEC.), 4 October 1994.

The major manufacturing sub-sector is food, drink and tobacco, accounting for about 60% of manufacturing output. Total manufacturing output has declined by about 17% in the two-year period 1993/94. Manufactured exports have however been increasing and the visible trade balance is positive.

Liberalisation having entailed the removal of import controls manufacturing industry has been facing unaccustomed competition in home markets. An unfavourable tariff regime did not assist the competitive position for about two years but this has now been adjusted. A good number of enterprises have gone out of business and others may not turn out to be viable however well they are managed. Emphasis is placed in the government's Economic Report 1994 on the need in industrial production for close attention to quality, reliability of supply, and cost.

Industrial management is considered in **Chapter 3**. It was noted that a good many of the senior managers in Zambian industry are not Zambian. This is especially the case in firms which are wholly or partly in foreign ownership, and the proportion is expected to grow as foreign firms buy state shareholdings in the privatisation programme. There is a lack of certain skills, notably accountancy, but in some private-sector firms non-Zambian managers are preferred for reasons of outlook or attitude which are not easy to define. Managers who have spent their working lives in the public sector certainly face a major challenge as they have to change their own outlook and at the same time to change the working culture of their enterprises. The hypothesis is tentatively advanced in this chapter that in general terms Africans do not readily accept the concept of an organisation as an entity separate from the individuals who compose it; further research on this matter is suggested, as a complement to the many cross-cultural studies undertaken in the industrialised world.

Organisational structure is traditional, and multi-national enterprises appear to be no different in this respect. No examples of managerial teams were come across, and only one example of a production cell was found. One firm had successfully undertaken major reduction, delayering and re-motivation of its work-force in the face of the competitive threat to its existence.

Senior managers were found to have sound functional qualifications and to be highly experienced; but little general management training, even by way of short courses or seminars, seems to have been undertaken. Parastatal companies appear to have given such training greater priority and the main state holding company, ZIMCO, now wound up, was said to have a strong training culture. It was generally the public sector which benefited from fellowships under technical assistance programmes but these did not often fit into corporate performance improvement programmes. Many enterprises, public-sector and private-sector, have training plans, but financial exigencies have brought them to an almost complete standstill. Managers generally have a poor opinion of Zambian training facilities.

Management style is generally "Anglo-Saxon", and employees are largely instruments in the pursuit of profit. Multi-national corporations bring some new ideas to their subsidiaries in Zambia. Companies managed by Indians are possibly more authoritarian than others. Although there was one example of Japanese practice in the form of a Japanese consultancy in one enterprise, there are no East Asian manufacturing enterprises operating in Zambia, nor German ones, to introduce their respective managerial styles.

Management training in Zambia is described in **Chapter 4**, together with remarks on intermediate organisations, and the need for reinforcement is assessed.

In general, institutions offer middle-level qualifications, often British, and not much by way of general management; nor do their consultants offer much general management services. However all the institutions visited have some activities of interest to industrial development at one level or another. For example the Management Services Board, a public sector institution, offers open courses in production management, including TQM; the Zambia Institute of Management (ZAMIM), formerly the training centre for the state holding company ZIMCO but now an independent trust, has a small but well-qualified and energetic consultancy division which offers advice on such subjects as 'Management of Change' and has a good client list. At the two Zambian universities, management research is one of the fields in a newly consolidated consultancy service at the Copperbelt University, and at the University of Zambia the Engineering Department offers an industrial production management programme which would form an excellent platform for further development of Japanese industrial management programmes. A number of other institutions are briefly described in this section.

The Zambia Association of Chambers of Commerce and Industry (ZACCI) is potentially a most important link between industrial enterprises and the world of new managerial knowledge and skill outside Zambia and in Zambian training institutions, but it still quite small and the function of Chambers is not fully understood by members. One member trade association is the Zambia Association of Manufacturers, an energetic lobby group, which also has the potential for an important information role. In addition, the Zambia Employers' Federation offers some middle-level training services, often in collaboration with the ILO, of which it is a member, but its principal function lies in relations with government and workers' organisations.

The labour movement in Zambia is in some disarray, not yet having come to terms with the demands and practices of the market economy. The Zambia Congress of Trade Unions has recently split, and one of the unions to secede is the National Union of Commercial and Industrial Workers, to which most workers in manufacturing belong (but no longer obligatorily). In the fluid circumstances of adjustment it is much to be hoped that workers' interests will be properly protected, and it is similarly important that workers' organisations understand the implications of such Japanese management techniques as may be introduced.

There are a number of specialised professional associations in Zambia, of which the Chartered Accountants seem to be the most prominent. The Zambia Institute of Personnel Management is trying to revive itself, and here again this institute could be an important channel for new knowledge in the rapidly evolving field of human resource management and development.

As regards training abroad, it is thought that a very large number of Zambians have been sponsored for fellowships over the last generation; the operational impact has to be yet established. It was found that Asian countries have been little used as host countries. Conversely, there has been a certain amount of foreign training carried out in the context of technical assistance projects, but no concerted programme on how to operate in the market economy.

In terms of knowledge and skill, both industrial management and the services offered by training and consultancy organisations need to be strengthened, but assistance in this regard should be cautiously planned to take account of the real demand from industry.

Chapter 5 briefly describes government policies and activities which concern industry, and outlines the main elements of relevant technical assistance.

The Zambian civil service as a whole is being reorganised, including the Ministry of Commerce, Trade and Industry (MCTI). A new draft industrial policy is under consideration. Meanwhile two MCTI agencies, namely the Investment Centre and the Export Board are in full operation. There is also an embryo Productivity Department within the Ministry of Labour and Social Services.

More generally, the principal government policies, as already mentioned, are privatisation and liberalisation. Privatisation entails divestment of state holdings in some 158 enterprises (or liquidation of some of them), and the state holding companies, which provided central services, have already been wound up. Privatisation is preceded where necessary by commercialisation, and this change can be much more difficult for management than privatisation itself. Liberalisation has entailed the abolition of exchange control, price control, and import control, and a reduction in regulation of commerce and industry. Two ILO Conventions which provide for greater freedom of association have recently been ratified.

Industrial managers have not always been in agreement with the government's trade policy as implemented through tariffs, which have favoured the import of finished goods; but this situation was corrected early in 1995. Value Added Tax, replacing Sales Tax, was introduced in July 1995.

Technical assistance has been supporting the whole of this range of policy and implementation, mainly through the Government/UNDP Private Sector Development Programme. This has six components and several collaborating agencies, with UNIDO as the lead agency. The components furnish support to (1) Zambia Privatisation Agency, heavily supported by USAID, (2) MCTI and certain agencies, including ZACCI, (3) securities and capital markets, (4) the Investment Centre, (5) the legal drafting office, and (6) small, micro and medium-sized enterprises.

German assistance through GT2 is being provided to MCTI and to ZACCI under this programme. In addition, Germany has initiated a three-country management development project. Other projects include a European project to support quality standards in the textile industry; a USAID project to support medium-sized enterprises; British support to the Management Services Board (a training and consultancy organisation); Irish aid, which has been continuing for some fifteen years, to Evelyn Hone College; and a Dutch and Danish project for the reform of technical education and vocational and entrepreneurship training in the Ministry of Science and Technical and Vocational Training. The British are also supporting the Zambia Revenue Authority, a new organisation which has the responsibility to improve collection of taxes and duties.

In **Chapter 6** the challenge to industrial management in Zambia is summarised and the possible role of the Japanese model is assessed. Firstly, it is recognised that firms which have survived the hard times of recent years must already be well managed and change is not to be recommended for its own sake. But Zambia cannot escape competition from imports. The spread of the procedural quality standard ISO 9000 indicates recognition of the need for change, but few firms seem to see a need for the systemic change implied by Japanese management style, and it is suspected that cultural barriers inhibit such change. Survival and success are not only in the hands of managers, but quality of management is more important than, for example, ownership in the public or private sector.

Japanese industrial success is rooted in Japanese preference for consensus within groups; Africans share this preference, but perhaps accept industrial disciplines less readily. It is possible that Japanese managers are needed to introduce and maintain Japanese management. Some changes in production organisation are technical and do not carry cultural baggage. These are set out in a recent study of Japanese management in developing countries by R. Kaplinsky. ("Easternization" - see Annex 4 for details.) Kaplinsky also points out that the introduction of Japanese management does not entail heavy investment or a well-educated workforce. What it does require is whole-hearted commitment from senior management. It should also be recognised that Japanese management techniques are more applicable to more complex products and processes, but there is something to be learned at all levels of complexity.

A short section in this chapter sets out possibly negative aspects of Japanese management. These are the possible loss of jobs implied by an increase in labour productivity, and the stress involved in working to very tight schedules with no buffer stocks. (The inevitability of such stress is not proven.) Kaplinsky identifies a tendency to revert towards more comfortable and familiar practices. It must also be accepted that "just-in-time" purchasing must take account of availability and financial considerations which do not necessarily imply holding very low stock.

The next section repeats the summary of the various concepts of "integrated human resource development" which appeared in the report on Namibia in this series. At the heart of the various definitions used in the U.N. and agencies lies the connection between acquisition and application of knowledge and skill, but integrated HRD also takes account of the interests of all stakeholders in an enterprise and thus the concept converges with Charles Handy's "hexagon contract". In particular integrated HRD treats employees as partners, not instruments, and shares this attitude with Japanese management style.

Chapter 6 concludes by examining the channels of acquisition of information about Japanese management. At first information will be acquired informally, but later more deliberately through trans-national owners, and from suppliers and customers. The seminars held in the course of this project, although exceptional, are further examples of deliberate information-seeking. However for an enterprise to have sufficient knowledge, experience and confidence to overhaul their management style a senior "champion" must see with his own eyes, and must undertake formal study. In order to support the introduction and development of Japanese-based (but Africa-centred) management in Zambia a reservoir of knowledge and experience should be built up, probably in a university or training institution, with good access to developments in other countries. In order to start this process a single project has been designed and is attached to this report as Annex 5.

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Chapter 1: Introduction

1.1 Origin and implementation of the study

1. This document is the second in a series of country studies on human resources development in African industry to be funded by the Government of Japan and carried out by UNIDO. It roughly follows the pattern of the first study[2] undertaken in Namibia in 1994, readers of which will recognise that some material, for example in this introductory section, has been copied into this study, with minor changes when necessary.

2. The idea for the project as a whole came from a case study of a single firm in Tanzania prepared by UNIDO in 1992 and followed early in 1993 by workshops based on the case study, also financed by the Government of Japan.

3. The firm in question was the Matsushita Electric Company (E.A.) Ltd., a subsidiary of Matsushita Electric Ltd., a multinational electric and electronics company with headquarters in Osaka, Japan. The characteristic of Matsushita EA which attracted attention was its continuously successful and profitable performance from its foundation in 1965 until the present time, in contrast to the performance of manufacturing industry in Sub-Saharan Africa (SSA)[3] in general and in Tanzania in particular.

4. The company's success was attributed to good management and to a well-trained and motivated labour force. This labour force numbered some 450 at the time of the study, under the leadership of four Japanese in the top managerial posts.

5. The subsequent questions, which this study and the Namibian study set out to address, are whether current and future success in manufacturing industry in SSA can be assured, or at least made more likely, by some innovative and commonly applicable management practices; in particular whether the Japanese practices which have proved so successful not only in one Tanzanian enterprise but in Japan itself, other Asian countries, and elsewhere, have a general contribution to make, especially in enterprises which are not led by Japanese managers and are not subsidiaries of Japanese companies. A subsidiary question is the extent to which "a well-trained and motivated labour force" can be created by good management in any social and economic environment regardless of initial levels of education and training. It has clearly been important to enquire as well into the experience, training and outlook of present industrial managers, and into the facilities and channels through which new information is acquired.

6. The enquiries in each country were made over a period of about three weeks

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[2] **Manufacturing Management in Namibia: Prospects for Innovation**, UNIDO, Vienna, CPD.9(SPEC.), 4 October 1994

[3] As noted in the Namibia study, the term "Sub-Saharan Africa" has normally excluded the Republic of South Africa (RSA). However, even before the change of government in RSA, the relative strength of its economy, and especially industry, had important effects in countries to the north. Namibia's economy is very closely interwoven with the South Africa economy. As will be seen, South African trade and investment are playing an increasing role in Zambia. South African industry is not, however, generally efficient by world standards and, like other African countries, will have to improve performance indicators such as quality and productivity in the face of GATT trade liberalisation.

by a three-person team comprising a UNIDO staff member, an international consultant, and a consultant who is a citizen and resident of the country concerned. The UNIDO representative in each country provided the substantive, administrative and logistical support without which the studies could not possibly be made in such short periods[4]. The persons consulted in Zambia are listed in Annex 3 and UNIDO's thanks are due to them for the time given and interest shown.

7. The reports written after each in-country study were reviewed at UNIDO headquarters and submitted to the respective governments for comment. Recommendations for further action were made and the tentative outline of a five-year technical cooperation programme was included as an annex to the Namibia report. This outline programme was intended as a basis for discussion and decision by the various parties concerned in Namibia, but the process turned out to be rather slow. In this report, therefore, the long programme has been replaced by a single, six-month project, set out in a document which can be submitted for funding without delay. It is attached at Annex 5. The design of any longer-term technical cooperation will thus have to await the outcome of this initial project.

8. Some three weeks after the study in Zambia was completed the team reassembled in Lusaka to discuss the report with the Ministry of Trade, Commerce and Industry. In the same period three one-day seminars were arranged[5] at which speakers from Japan and India presented and discussed some salient features of the Japanese management system and style. It should again be emphasised that Japanese management was a subject for discussion; it was not offered as a solution or prescription. Still less were the seminars to be treated as periods of instruction. As much as anything UNIDO wished to receive guidance as to the applicability of the system and in more general terms as to the conditions for successful manufacturing in the country concerned, with particular reference to human resources development.

9. In the Namibia report it was indicated that a third study would be undertaken in Zimbabwe. This intention was pre-empted by the publication in late 1994 of case-studies of the introduction of Japanese management techniques in four Zimbabwean enterprises in a book which also dealt with Japanese management in other countries[6]. The conclusions which emerge from these case-studies are highly pertinent to UNIDO's studies and are considered further in Chapter 6.

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[4]The team in Zambia comprised Mr Masayoshi Matsushita (UNIDO), Mr Charles Manton (international consultant) and Dr Henry Mwenda (Zambian consultant). (Mr Matsushita has no connection whatsoever with Matsushita Electric Ltd or with the Matsushita Electric Company (E.A.) Ltd.)

[5]Participation was by invitation and was intended to be limited to 30 persons, a manageable number for discussions. Two seminars were held in Lusaka and one in Ndola (to cater for the concentration of industry in the Copperbelt); all three were oversubscribed and total participation was about 120. The speakers who addressed the seminars were Dr Akimasa Kurimoto, Strategic Development Manager of Yamazaki Machinery UK Ltd, Mr Shrinivas Gondhalekar, until recently Deputy General Manager (Productivity Service) of Godrej Soaps Ltd, Bombay, India, and Mr Masayoshi Matsushita of the Country Strategy and Programme Department at UNIDO headquarters. Arrangements in Ndola were made by the Ndola and District Chamber of Commerce and Industry on behalf of UNIDO.

[6]Raphael Kaplinsky with Anne Posthuma (1994): **Easternisation - The Spread of Japanese Management Techniques to Developing Countries**, London and Portland, Oregon, Frank Cass, and Tokyo, United Nations University Press.

10. At present the next stages of the current UNIDO project are under discussion.

1.2 Zambia as an appropriate country for this study

11. Manufacturing industry in Zambia contributes about a quarter of GDP. Although other sectors of the low total GDP may well have greater potential for increasing their proportionate shares, manufacturing is still important and, as in any country, should make a major contribution to the economic and social well-being not only of its direct participants but of society as a whole. The sector is not however doing well, production having dropped in value by 12.1% in 1994 from the 1993 value, itself down 5.4% from the previous year[7]. On the face of it this is exactly the kind of situation in which UNIDO has a mandate, indeed a duty, to offer assistance.

12. UNIDO is in fact already active in Zambia and is playing the lead role in the implementation of the Private Sector Development Programme, which is one of three programmes in the UNDP Fifth Cycle. UNIDO is implementing the whole of Component 2 of this Programme, which concentrates on institutional reinforcement, and is about to take part in Component 6, which is concerned with small industries. UNIDO was also largely instrumental in the creation of the One-Stop Investment Centre (Component 3) .

13. The measures in the Private Sector Development Programme are dealing entirely with the institutional and regulatory <u>environment</u> in which industry (and other sectors) operate; they do not concern themselves with the <u>industrial operations</u> which are no less within UNIDO's frame of reference. Apart from a project in the leather industry and the Zambian elements of two regional projects UNIDO is not at present engaged with industrial operations in Zambia; nor, as far as is known, are other agencies except to a limited extent the ILO[8].

14. In this context <u>industrial human resources development</u> is for practical purposes a component of industrial operations, although on a more philosophical plane the opposite might be a preferable construction. For the particular rationale of this project, IHRD must start with a focus on management, and must include the acquisition by management of knowledge of particular, specifically Japanese, techniques. It is inherent in these techniques that there is no clear frontier between managerial, functional and technical domains.

15. Many of Zambian industry's problems are exogenous. Some, such as the regulatory and tariff systems, may be at least partly within Zambian government control, others, such as the state of the regional or world economy, the price of imported raw materials, and changes in technology, may be beyond Zambian (or any) government control. Some problems may have been revealed or even created by the withdrawal of state control and responsibility in the last few years. It must be accepted that some manufacturing enterprises, however skilfully managed, may not be able to regain or attain competitive viability, or only at the economic cost of protection which is unlikely to be forthcoming. Equally some enterprises can be assumed to be operating near enough to a state of viability for the results of more skilful management to make a crucial difference; and other

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[7]Republic of Zambia, **Economic Report 1994**, page 61, Table 3.14.

[8]Understood to be offering supervisory training programmes.

enterprises, already profitable and with a good prognosis, whose results can be safeguarded and further improved by perhaps small increments in managerial skill which has presumably proved adequate up to the present.

16. It thus seems probable that in general terms UNIDO has a valid, and otherwise unoccupied, field in which to offer technical assistance. On more detailed examination of Zambian industry the actual target, and the objective and means of delivery of effective and justifiable assistance are not so easy to identify.

17. Foreign parent companies of enterprises in Zambia are not however homogeneous. Some are conglomerate holding companies which have no corporate expertise in individual subsidiaries' specific activities, while in other cases a Zambian enterprise forms part of a technically and commercially integrated international group. In another way, there seem to be major differences between parent companies in the expectations they have and the support they offer (or in the freedom of action they allow to local managers in contrast to what these local managers may well construe as interference). The minimal interest requires a statement of financial results and a remittance of profits at regular intervals; over a continuous range there will be increasing demands for returns on, say, technical developments and failures, health and safety at work, employment, labour relations, and active management comprising instructions and advice.

18. Does UNIDO have any responsibility to support companies in foreign ownership ? If the parent company is informed about the kind of managerial or technical developments which UNIDO might propose, and does not apply this, the problem does not lie in Zambia and it would not be up to UNIDO to offer a solution. If the parent company is taking a solely financial interest in its subsidiaries, is it within UNIDO's mandate to take on the responsibility for providing managerial and technical information or support ?

19. The situation is further complicated by a variety expatriate management[9], and policies towards employment of expatriates. It is hard to conceive a situation in which UNIDO could offer anything more directly to expatriate managers than marginal participation in group activities without extra cost (to UNIDO). It might be unreasonable to exclude an enterprise as a whole from some UNIDO programme simply because it employs some expatriates. The decision could depend on the particular location and responsibility of the expatriates concerned.

20. For example, it appears that there is, or was, a shortage of Zambian accountants, with the result that the most senior management and financial accountants are very often non-Zambian, specifically Indian. An enterprise could not reasonably be excluded from participation in UNIDO programmes on the sole ground that it employs Indian accountants. But there is a further class of Zambian company for which it may be less obvious that UNIDO's assistance is justifiable. In this case a company or group in fully Zambian ownership places general management or technical management, precisely the areas in which UNIDO would offer assistance, in non-Zambian hands. While the present enquiry has come up with only one such group the question it poses still has to be addressed.

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[9]Expatriates have fixed-term contracts and may be expected to leave the country upon termination. In Zambia there are also a number of managers who although non-Zambian are resident. Non-Zambian residents have to wait for fifteen years or more before citizenship is granted.

21. These equivocations, individually or taken together, do not by any means lead to a conclusion that UNIDO is not justified in offering assistance to manufacturing industry in Zambia. UNIDO can bring internationally derived expertise which is unlikely to be accessible from other sources and can make it generally available. The basic situation of Zambia is that of a indebted low-income country and to the extent that technical assistance of UNIDO's kind (or external aid of any kind for that matter) can contribute to ameliorating the situation it should by all means be offered. The particular situation of manufacturing industry in Zambia does on the other hand entail the closest attention to definition of the problem for which some tentative solution might be justifiably and most effectively found. The seminars which constituted part of this project yielded much useful information in this regard, and any ensuing programme definition can proceed on more certain ground.

1.3 Quality of data

22. The facts and (especially) figures in this report are subject to the now usual reservations as to their reliability. The enquiry team is given to understand that the statistical information base has been undermined by considerable neglect for some years, perhaps as many as nine years. Comprehensive and up-to-date information on manufacturing industry and employment is not available, although measures are now being taken in the context of institutional reinforcement programmes to collect, analyse and disseminate helpfully disaggregated details. (One highly desirable outcome will be a contribution to a functioning labour market information system, now it seems entirely lacking.) UNIDO is planning a study for a new report on Zambia in its Industrial Review Series and it is much to be hoped that it will be undertaken soon.

23. The present situation is no reflection on the analytical work of the Central Statistical Office, but they are greatly hampered by inadequate data collection systems and outdated samples. The situation has been aggravated by the dismemberment of the parastatal sector, which was previously able to furnish centralised and regular data on a very large proportion of the economy.

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Chapter 2: The country and its economy

2.1 Geography

24. Zambia is a land-locked country situated between 10°S and 18°S in the central-southern part of the African continent. Its boundaries were created by European colonial powers in 1884 and do not correspond with satisfactory frontier features except perhaps watersheds on the north-eastern border with Tanzania and Malaŵi and the north-western border with Zaïre. The Zambesi River forms the frontier with Namibia and Zimbabwe and the Luapula River forms part of the frontier with eastern Zaïre. Zambia also has frontiers, largely straight lines, with Angola and Mozambique, and a very short frontier, part of the Zambesi, with Botswana. Zambia thus borders on eight other countries, variously under Belgian, British, German and Portuguese colonial regimes.

25. The country has roughly the shape of a butterfly's outstretched wings, and each "wing" was administered separately by the British South Africa Company until they were unified as "Northern Rhodesia" in 1911. Northern Rhodesia was transferred to the British crown in 1924. The total area of about 753,000 square kilometres is about twice that of Japan. The bulk of the land lies on the undulating African plateau at an altitude ranging between 1000 and 2000 metres above sea level. The altitude moderates the climate, which is not so hot as the latitude might suggest, the temperature rarely rising above 30°C, and occasionally falling to freezing-point in the south-west.

26. Most of the country is covered by savanna woodlands. To the west, near the Angolan border, the upstream Zambesi plains consist of sandy grasslands with more dispersed trees. They are flooded in the rainy season, and the Lozi inhabitants have to move to higher ground in their annually celebrated "Kuomboka" migration. Rift Valley terrain extends to the eastern and southern parts of the country: notably, the Muchinga Escarpment, consisting of steep hill ranges and low-lying valleys.

27. Zambia is well provided with water. There are two river basins, those of the Zambesi and the Zaïre rivers. Two major rivers, the Kafue and the Luangwa, are almost entirely situated within Zambia, and flow into the Zambesi. As is well known, the Zambesi has been dammed at Kariba to form one of the largest man-made lakes. Further damming has been carried out on the Kafue, and between them the Kafue and the Zambesi provide Zambia with (at present) plentiful electricity. Two further rivers, the Chambeshi and the Luapula, lie in the northern part of the country and flow into the Zaïre river through two lakes, one of which, Lake Mweru, together with a stretch of the Luapula, forms part of the frontier with the Republic of Zaïre. In addition, Zambia has vast underground water reserves. These water supplies are not, however, fully exploited or conserved, and a season of drought can play havoc with agriculture.

28. The principal mineral resource so far discovered and exploited is copper, mostly mined in the Copperbelt Province which lies along part of the frontier with Zaïre. Other minerals include lead, nickel, cobalt and modest quantities of gold. Early European expectations, or hopes, of diamond deposits have not been fulfilled, but emeralds and other gemstones are extracted. Limited quantities of coal are mined, but oil or natural gas have not yet been discovered. (Oil is imported through a pipeline from Tanzania.)

29. Zambia's transport infrastructure comprises railways from the Copperbelt south into Zimbabwe and thence to South African ports, and a separate

railway, built by the Chinese, over to Dar es Salaam; and a network of main roads which is being rehabilitated after some years of abuse (by overloaded trucks) and neglect. The Benguela Railway, through Zaïre to the Angolan coast, has been out of commission for many years and rehabilitation is a very distant prospect. The Caprivi highway now under construction in Namibia may turn out to give useful road access to Walvis Bay as an alternative port. All these transport links seem to have international purposes and it is not so certain that Zambia is adequately equipped, and knitted together, with a network of good domestic roads. As regards air transport, the state airline was liquidated in 1994 and a domestic network is only gradually being rebuilt, on an entirely commercial basis, by small private airlines. Regional and inter-continental services continue to be provided by foreign airlines, and the new private Zambian airlines are beginning to operate some regional routes.

2.2 Human geography

30. As shown in Annex 1 the UNDP Human Development Report for 1994 gives an estimate of the population for 1992 of 8.6 million, and a growth rate of 2.7% annually. These figures indicate that the population will have reached 9 million by 1995.

31. The average population density of about 11 persons per square kilometre is quite low. Although Zambia is five times more densely populated than Namibia or Botswana, the density in Tanzania and South Africa is about three times higher, and in Japan about thirty times higher, than in Zambia. A notably high proportion, upwards of 50%, of the Zambian population is urban, and vast rural areas are thus underpopulated in the sense that the land and water could sustain much higher numbers. A number of areas have been designated as National Parks, including two very large ones. About 18% of the total population lives in Copperbelt Province, which has a number of towns which have grown up around the mining industry; 14% in the capital, Lusaka, and its province; and 12% in the Southern Province, which includes Livingstone[10]. Zambians have always enjoyed freedom of movement, and they continue to leave their villages in search of industrial or commercial occupations. However the number in formal sector employment in March 1994 is estimated at just on half a million.[11]

32. The main population centres lie along the line of the railway between Livingstone near the southern frontier with Zimbabwe, and Kitwe, in the Copperbelt, near the Zairean frontier. It is not clear whether the relatively new railway, across the north-eastern part of the country to Tanzania, is exerting similar attraction.

33. The population of Zambia is mainly of Bantu origin. There are no fewer than 73 recognised ethnic groups or dialects. About seven major languages are commonly spoken in their respective provinces, but English has continued as the official language of education and communication. Over the last four decades much inter-tribal marriage has taken place, especially in the urban areas. Zambian society is healthily cosmopolitan, and if ethnic or linguistic origins continue to be recognised they do not cause social or political tension. There are small numbers of Zambians

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[10]There are six other provinces.

[11]Economic Report 1994, pp 27-28. This number is down from an apparent peak of 538,000 in 1991.

whose origins lie in Europe or the Asian sub-continent and who participate fully in the social, political and especially the economic life of the country.

34. Settlements in rural areas are thinly dispersed in small hamlets (rather than in larger nucleated villages). This dispersion creates problems for the economic provision of infrastructure including electricity and social services such as education. The main activity is still subsistence farming, although there has been a trend to small-scale commercial farming in the past three decades.

35. The figures in Annex 1 show that while literacy is high, especially amongst the 15-19 age group, other indicators are not encouraging.

2.3 The economy

36. For the last four years the Zambian economy has been undergoing structural adjustment. This entails "liberalisation", or the withdrawal of the government from almost all industrial and commercial activity and the elimination of controls. The consequence has been considerable turmoil as some businesses find they can no longer compete, others are formed, and the state apparatus, for example in the form of state supply and price control of maize, is dismantled; and at the personal level the turmoil has been accompanied by insecurity as much as freedom and economic autonomy, and in all too many cases by material and psychological distress especially when formal-sector jobs are lost. Zambia thus combines characteristics of a transition economy with those of a least developed country.

37. The Gross Domestic Product declined by 6.6% in 1994, compared with 1993. This decline followed an increase of 8.3% in 1993 and a decrease of 3.4% in 1992. The erratic changes are mostly due to the weather and reflect the importance of agriculture as a component of the economy, but in 1994 the mining and quarrying sector and the manufacturing sector also turned in disappointing figures. While it is possible to identify individual manufacturing firms which have suffered as a result of liberalisation, aggregated information on the effect of Zambian policy changes is not available. It cannot be ruled out that if liberalisation had not taken place overall industrial performance would have been even less satisfactory, even if the true situation would have been concealed within the labyrinthine operations of the state holding companies.

38. The Economic Report 1994 asserts that "the manufacturing sector continued to be confronted by structural problems including the lack of infusion of modern technology and the high cost of borrowing and the escalation in prices of raw materials and other inputs as the economy went through the high inflation period." None of this can be gainsaid, but much more would have to be added for a clear and comprehensive picture of industrial performance. Inflation has after all been high or very high for a decade, and the question of input costs needs to be separated into domestic and imported supplies. This in turn would lead to examination of import tariffs on finished goods and on raw materials, and it would be useful to have aggregated information on the import content of Zambian manufactures. The extent of inter-firm linkage is also uncertain.

39. The mining sector is still under public control. (The state owns 60.3% of the shares in ZCCM, the holding company for all mining enterprises.) Again according to the Economic Report 1994, its performance "was not satisfactory due to various factors including the exhaustion of mineral ore and the lack of investment in new mining operations. This was in spite of the recovery in metal prices on the world market during the year." It might be added that lack of investment is quite likely to be the result of

uncertainty in the government's plans for privatising the mining industry. Once the contentious question is resolved whether to sell the state holding in ZCCM to a single foreign buyer or to break it up and ensure a Zambian stake in the new enterprises, it seems probable that in one way or another some $600 million will be invested in a new mine - and this could only represent important opportunities for manufacturers.

40. Meanwhile Table 2.1 of the Economic Report 1994 shows "GDP by Kind of Economic Activity at current prices 1989-94", and Table 2.2 shows "GDP by Kind of Economic Activity at constant (1977) prices". Calculating the percentages of the provisional figures for 1994 we find the following results. Growth rates (1993 to 1994) are given in Table 2.2 as shown on the following page. The significant differences in the two tables illustrate the probable uncertainty of most of these figures, although further explanation of the underlying statistical methods would no doubt elucidate them.

41. A point to be noted is that although mining is, as shown in paragraph 43, the outstandingly important sector for exports manufacturing's contribution to GDP is three or four times larger. Another point is that in the 'Manufacturing' section of the Economic Report 1994 the share in GDP is given as 24.8%, corresponding more or less to the second table above.

42. Whatever the true official picture may be, the informal sector is presumably, by definition, totally excluded from the official figures and may be quite large especially in the trading sector. Informal economic activity, together with informal social and family networks, may moderate the overall impoverishment implied by the decline in GDP per head; but it is said that the mutual traditions of the extended family, already weakened in the urban environment, can no longer absorb all the demands made upon it.

43. Despite its difficulties the Zambian economy produced a sharp improvement in its visible trade balance in 1994: a deficit of US$70.1 in 1993 was turned into a surplus of US$182.9 million in 1994. Exports were up by 18% and imports down by 5.6%. Copper and cobalt exports were both up, and contributed 81.2% to the export total. "Non-traditional", i.e. non-metal, exports, rose by 17.5% and accounted for over 10% of the total, a healthy development. The services balance of payments was however negative and the current account balance turned out at US$71.1 million in deficit.

GDP by Kind of Economic Activity 1994 (%)
(derived from Economic Report 1994, Table 2.1, using "current prices")

Agriculture, Forestry and Fishing	31.64
Mining and Quarrying	6.18
Manufacturing	21.94
Electricity, Gas and Water	0.87
Construction	5.12
Wholesale and Retail Trade	7.75
Restaurants and Hotels	4.33
Transport, Storage & Communication	4.63
Financial Institutions and Insurance	1.49
Real Estate and Business Services	4.27
Community, Social & Personal Services	6.29
Import Duties	6.41
Less: Imputed Banking Service Charges	(0.91)
TOTAL	100.01

GDP by Kind of Economic Activity 1994 (%) **Growth rate (%)**

(derived from Economic Report 1994, Table 2.2, using "constant 1977 prices")

	GDP by Kind of Economic Activity 1994 (%)	Growth rate (%)
Agriculture, Forestry and Fishing	18.15	-19.8
Mining and Quarrying	6.13	-12.7
Manufacturing	24.49	-12.1
Electricity, Gas and Water	3.18	9.6
Construction	3.02	8.1
Wholesale and Retail Trade	7.99	1.0
Restaurants and Hotels	3.85	2.2
Transport, Storage and Communication	4.06	10.2
Financial Institutions and Insurance	2.49	14.0
Real Estate and Business Services	9.14	3.1
Community, Social and Personal Services	17.96	1.5
Import Duties	1.07	3.1
Less: Imputed Banking Service Charges	(1.52)	
TOTAL	100.01	
Real GDP growth rate		- 6.6

44. Zambia received just over US$1 billion in external assistance in 1994. Of this $260 million comprised debt relief and $447 million balance of payments support. External debt service still accounted for $682 million, (and debt stock is estimated at $6.2 billion). "Net transfer to Zambia" is formally recorded as $325 million for the year, but of this $26 million is in commodity assistance and $274 million in project assistance. Although Zambia receives the benefit of project assistance, or it is to be hoped so, a considerable proportion of the actual expenditure may not be incurred in Zambia itself.

45. The government is following an extremely tight monetary policy and is incurring expenditure on its own account only when cash is available. The establishment of the Zambia Revenue Authority in March 1994 has already resulted in a marked improvement in tax and excise receipts. One result has been a sharp reduction in the annual rate of inflation, down to only 29.6% in April 1995 (compared with a peak of 243.5% in July 1993). Value Added Tax is to replace Sales Tax on 1st July 1995. However a worryingly large budget deficit has reappeared in 1995, caused by unbudgeted increases in civil service pay and in the defence budget, and not least by a major bank failure. The country has thus failed to qualify for the IMF's Enhanced Structural Adjustment Programme (ESAP) in March as expected. (ESAP will bring a sharp reduction in interest payments to the IMF.) Bank interest rates have been rising sharply (base rates above 50%), and the international value of the currency has fallen by more than 15% since the beginning of 1995, after a year of comparative stability.

2.4 Industry

46. Given its importance as an exporter the mining sector receives deservedly close attention, but as seen above the manufacturing sector produces three or four times more. Within the manufacturing sector by far the largest branch is food, beverages and tobacco, which accounted for 59% of manufacturing product in 1994; and the product of this branch alone was 2.4 times larger than the mining and quarrying sector's.

47. The following table is derived from Table 3.14 in the Economic Report 1994. Total production of K529 million (at 1977 prices) corresponds with the total in Table 2.2 quoted above.

Manufacturing Sector GDP at Constant 1977 Prices, 1994

	K x million	%	% Change over 1993
Food, Beverage and Tobacco	312.9	59.15	- 5.8
Textile and Leather	43.0	8.13	-12.8
Wood and Wood Products	9.7	1.83	-21.8
Paper and Paper Products	34.7	6.56	+16.8
Chemicals, Rubber and Plastic	32.9	6.22	- 0.6
Non-Metallic Mineral Products	13.7	2.59	-15.4
Basic Metal Products	2.6	0.49	0.0
Fabricated Metal Products	66.2	12.51	-40.7
Other Manufactures	13.3	2.51	-11.3
TOTAL	529.0	99.99	-12.1

48. Information on the component products in these sub-sectors and the reasons for and implications of the very sharp changes is unavailable. Similarly, it is not possible to assess the reasons for the low proportions of production in sub-sectors such as wood and wood products which ought on the face of it to have the advantage of plentiful domestic raw material. The total decline of 12.1% is however clear - and unsatisfactory - enough, and this decline goes with 4,021 job losses in the first quarter of 1994 alone.

49. As noted later in this report, the enterprises visited by the enquiry team complained, one and all, about the structure of import tariffs in the last two years, favouring the import of finished products rather than raw materials for similar goods. This anomaly was corrected early in 1995, although not to the entire satisfaction of all enterprises. The introduction of VAT on 1st July 1995, even though at the high rate of 20%, is expected to be generally preferable, from industry's point of view, to the Sales Tax of 23% which VAT will replace.

2.5 Prospects and issues

50. Zambia is large enough to sustain a limited level of industrial production for domestic purposes and major investment in the mining sector will provide further opportunities. All the same, given the prevailing absence of controls, the continuing industrial development in neighbouring countries (each of which is trying to increase its exports), and the increasing availability of cheaper and better products from more advanced countries especially in Asia, Zambian manufacturing will continue to find itself in a highly competitive situation even for its domestic market. To the extent that it relies heavily on imported inputs it will not benefit from a declining exchange rate. As to exports, there may well be further opportunities to add value to domestic materials, mineral or agricultural, with little cost in imports.

51. Success will depend in part on the establishment of an industrial policy which enjoys the full collaboration of industrialists, workers' organisations, the financial sector, and the government itself; in part on the willingness of industrial managers to regard COMESA countries as a single market; and as emphasised in the Economic Report 1994 "Zambian producers are encouraged to pay attention to product quality, reliability of supply, and costs."

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Chapter 3: Management in industry

3.1 Management in Zambian manufacturing industry

52. The observations in this chapter are largely derived from the enquiry team's visits to nineteen manufacturing enterprises. Seven of them were still in the public sector but listed for privatisation; eight were wholly or partly in foreign ownership (including one of the seven public-sector enterprises). Of the foreign owners four were non-specialised conglomerates and four were specialised in the product concerned. Sub-sectors included food and beverages, textiles, metal, rubber, chemicals and plastics, building products and leather goods.

53. In addition the enquiry team visited the local directors or head offices of two multinational groups and one Zambian group, two non-manufacturing companies and a number of intermediate and training organisations.

54. It was particularly striking that taking the 24 visits together (manufacturing and non-manufacturing enterprises and groups), the enquiry team met non-Zambian senior managers on no fewer than 14 occasions. Of these seven were Indian, six were European and one South African. Of the nine enterprises and one group head office where the senior manager met by the enquiry team was Zambian, six were in the public sector and two were in foreign ownership. (In one public-sector enterprise a minority European shareholder has appointed the European General Manager.)

55. In the enterprises visited a considerable number of departmental managers (reporting to General Managers) were also non-Zambian. Although there was no evident pattern it was most common to find non-Zambians (especially Indians) in the chief financial position. Some companies had been pursuing Zambianisation programmes over the last few years, but one (Zambian) General Manager told the enquiry team that Zambianisation had been taken too far and expatriates were now being recruited for certain positions. Similarly, while one group is operating a long-term management training programme for Zambian university graduates, another group is replacing Zambians with expatriates recruited in India for senior positions in a number of companies.

56. The extent of non-Zambian industrial management is expected to grow if, as in fact hoped for, foreign investors buy into the public-sector enterprises which will be privatised in the coming years. There is apparently no generally articulated objection to non-Zambian management either within enterprises or as a matter of public concern, but it could become a political issue if the economy does not come to provide a good many more employment opportunities for secondary school leavers and university graduates and if politicians see fit to draw attention to the situation. Meanwhile, as explained earlier in this report, UNIDO is faced with the dilemma of offering support to Zambian industry at the risk of providing inappropriate support to non-Zambian managers and holding companies.

57. Although the ground is delicate, the enquiry team tried to explore the reasons for the employment of non-Zambian managers and to judge the prospects for a proportionate increase in Zambian management. On the practical level, there is firstly said to be a shortage of adequately trained and experienced accountants in Zambia. Secondly, younger Zambian managers are said to migrate to more rewarding pastures as soon as they have completed training and have a saleable amount of experience. (Botswana was mentioned as a desirable destination.)

58. Questions of attitude are harder to define and require further

examination. There are indications that young Zambians do not commonly view manufacturing industry as particularly smart or attractive and look to the service sector or the public service for some combination of glamour, remuneration and security. Graduates from college or university think highly of themselves and expect to take up senior positions in smart offices very quickly. They are often not prepared to start with any sort of menial task on the shop floor or even in an office and do not see the need to acquire all-round experience. Zambian graduates are in this way like graduates in many other countries: the insertion or transition difficulty reflects inadequate pre-employment familiarisation and weak, or perhaps totally neglected, induction into employment.

59. In the particular circumstances of Zambia, a whole generation has grown up, as it has in Eastern Europe, with a concept of money and value which is completely different from the concept which is deeply embedded in the open-market frame of reference; so deeply embedded, in fact, that the very possibility of any other concept may be denied. In the last few years Zambians have been asked to throw a complete structure of economic and social assumptions out of their minds and to acquire unfamiliar and uncomfortable attitudes to money, the relationships between cost and price, between work and reward, and between the responsibilities of the state and the individual. Learning to operate at all under the new dispensation is a long and difficult process, and it will take rare courage and talent to assume managerial responsibility, in addition, for other people or for a complete organisation.

60. A further hypothesis can reasonably be suggested, and further research in this area might lead to the formulation of some specifically African style and techniques of management. This hypothesis is that, underlying the psychological and material difficulties created by the transition from what is called a "commandist" economy to the open market economy, a particularly African world-view inhibits acceptance of the abstract notion of an organisation which has its own identity and existence separate from the persons which compose it. If the organisation does not exist, loyalty cannot be accorded to it, nor can it corporately own anything, be it money or equipment. Similarly authority cannot be derived from a hierarchical position which is an expression of the organisation, and employees thus find it difficult to tell others what to do, or to be told what to do, if they are in organisational rather than personal relationship with each other. The attitude is not at all the same as "western" individualism, which makes a point of personal rights and (to some extent) duties and only concedes authority to organisations to the least practical degree. Africans will indeed concede authority much more readily than, say, North Americans, but only when they find a sound, personal basis for doing so. On the other hand Africans may share with North Americans and Europeans an attitude which treats formal employment as instrumental: we work to eat.

61. This is no doubt an excessively simplified distinction. For a start, there are presumably as many different attitudes or organisational cultures in Africa as there are in Europe, and countless individuals can no doubt be found to undermine the hypothesis. However a good deal of work is being done in the area of cultural differences in the business worlds of Asia, Europe and North America, and further work in Africa would be no less valid and productive.

3.2 Organisational structure

62. Each enterprise visited was asked to explain its basic internal organisation. In all cases the response was on traditional lines with, typically, five functional managers reporting to a general manager. In some cases the general manager might have several more people reporting to him, perhaps an internal auditor, a quality supervisor or, in one case, a corporate planning manager. In one case the management team was very small, and the general manager himself looked after purchasing and sales.

63. As far as could be ascertained foreign owners do not impose any particular structure on their subsidiaries, although it is to be expected that group practice will tend to be homogeneous when managers move from one company to another. In one group, Bata Shoes, which is family-owned, head-office control has been extremely detailed; but this control has not prevented the new General Manager of Zambia Bata from instituting effective changes in production organisation and management style.

64. While the structure itself does not reveal how a management team operates (how for instance market information is fed into product design), it was notable that none of the enterprises volunteered indications of team working at management level. Within the production department of one enterprise a production cell had been tried out but abandoned, the reasons being that the layout was excessively linear, and the component members were unable or unwilling to accept responsibility for the volume and quality of their own production without supervision. (Here we return to the cultural question, or perhaps to a question of inadequate incentives, or insufficient training and information, or some combination.) In another enterprise the shop floor workforce had been drastically "delayered", but more as an emergency response to financial difficulties than deliberate empowerment.

3.3 Managers' experience and training

65. As a general rule senior management teams in the enterprises visited by the enquiry team were highly experienced and had sound and relevant functional qualifications. On the other hand little general management training seemed to have been undertaken. Some managers have diplomas in business administration, some have done short courses in financial management, but there was little or no mention of seminars on, for instance, strategic planning, organisational development, leadership or the management of change. Some general managers with essentially practical backgrounds would doubtless find such subjects altogether niminy-piminy, but the fact is that the enquiry team came across some very conservative points of view.

66. A good deal more training of middle and senior managers appears to have been undertaken in parastatal companies than in private sector companies. ZIMCO, the main state holding company, (now in voluntary liquidation) was said to have had a strong training culture. It is not clear that the training can have formed a coherent contribution to performance improvement, and since parastatals tended to have imprecise performance objectives much training might not have been fully exploited. The same lack of effectiveness applies to international training programmes (fellowships) offered by UNIDO and other donors, mostly in the case of Zambia to parastatal enterprises, when, as is usually the case, they are free-standing and do not form part of corporate programmes.

3.4 Management training and development: current practice

67. Management training organised by Zambian manufacturing industry is at a virtual standstill, and has been for the 18 months or two years of very severely adverse conditions which are only now, in mid-1995, beginning to be ameliorated. Current commitments are still being met, for instance the reimbursement of college fees to employees who pass professional examinations. But practically all plans for off-the-job in-house training seminars, attendance at open seminars or courses, and the like, are shelved.

68. It is all the same encouraging that the plans exist at all, and the enquiry team came across examples of programmes well thought out in professionally qualified human resource departments. The purpose of such programmes, if they come to be activated, will be foiled, however, unless they command the support and interest of the general manager or chief executive and form part of explicit corporate performance improvement programmes; and it is here that conservative attitudes, and the view that senior managers, having arrived, need no further training or development, can represent a danger to corporate success. The attendance of many senior managers at the project seminars and the enthusiastic interest shown in the subject matter demonstrate a healthy willingness to investigate innovative ideas.

69. The policy and practice of international groups in regard to management training in their companies seems to be highly variable. The one common factor seems to be that the companies themselves have to foot the bill for such training even if it is undertaken on the instructions of or under pressure from group headquarters. The existence, in some groups, of such instructions or pressure, or simply the facilitation of international training, can open up highly productive channels of information and prevent dangerous managerial sclerosis.

70. Enterprise managers have a generally and regrettably low opinion of training organisations in Zambia, but as will be seen in the following chapter the organisations themselves are making efforts to improve their product and their image, and some use is made of their in-service training. Meanwhile information on alternatives was rather vague and thin. Management training, when undertaken, is apparently carried out by visiting consultants or trainers. In one case the general manager himself lectures to his staff. As indicated above some international groups make training facilities available. It can probably be concluded that reinforcement of local training provision would be desirable and welcome.

3.5 Foreign influences on management style

71. Given the historical background of Zambia and the current prominence of British investment in the country it is not surprising that the prevailing management culture is Anglo-Saxon. As a crude caricature, the view of the nature and function of a firm within this culture is that it (the firm) exists for the benefit of shareholders and that employees are instruments, to be treated adversarially, for profit creation. Suppliers and customers are to be treated at arm's length on severely legalistic terms. Measures to improve working conditions, improve morale, reduce accidents or pollution entail costs which should be reduced as far as possible and should only be incurred to the extent that the financial benefit exceeds the cost, or that the law inescapably requires.

72. In the United Kingdom and North America the concept of the enterprise and its responsibilities has developed a long way from this rather brutal capitalism and it is coming to be realised that the interests all

stakeholders are not in conflict but reinforce each other. A great deal of experience with Japanese management has been accumulated and diffused. Without doubt some of the changed attitudes and practices have percolated to private-sector Zambian enterprises not least through the influence of international owners. It might now be Indian management in Zambia which entails the most authoritarian or instrumental attitude to the workforce; but this tentative observation is gainsaid by the remark made to the enquiry team by one Indian manager. "The buzzword in India", he said, "is 'Market Plus'. The trouble is that the human face has been forgotten." Indian firms in India are of course acquiring important and successful experience of Japanese management techniques.

73. The major parastatal enterprises have, on the other hand and in the usual way, tended rather to exist and operate for the benefit of their employees rather than the benefit of customers or the invisible public owners. This sense of priority does not necessarily make for a happier or more satisfied workforce or reduce the incidence of adversarial conflicts: external, objective measures of success are needed to counteract an enterprise's self-obsession. Privatisation and commercialisation are now forcing objective measures of success upon these enterprises with a vengeance and it must be feared that while many practices and attitudes certainly needed deletion or change financial imperatives will entail a more ferocious management style. This will be said to be necessary for survival. There is however already one example of extraordinary success in "downsizing" a parastatal enterprise, radically changing its product mix, and simultaneously achieving a high degree of collaboration and enthusiasm from the reduced workforce[12].

74. There are no East Asian manufacturing firms operating in Zambia, and the associated management style has not yet obtained a foothold. Nor is there a German presence which could bring with it the greater sense of social duty inherent in the German view of capitalism.

75. It emerged at one of the seminars referred to in the introduction that a parastatal company, ZAMEFA Ltd, in which the United States company Phelps-Dodge has a minority holding, had benefited from the advice of a quality consultant from the Japanese Furukawa Electric Company. This was in connection with a Japanese-financed project in which ZAMEFA (Zambia Metal Fabricators) was contracted to supply copper cable for telecommunications. The consultant was said to have devoted his attention as much to shop floor management style as to technical questions of quality, with good effect.

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[12]Kafue Textiles Ltd. 56% state-owned, 25% owned by a Swiss textile group and 18% owned by the CDC. This firm would make an excellent case-study. The relative importance of the former Greek and present French general manager (i.e. not at all Anglo-Saxon), and of the apparently well-trained, talented and well-motivated Zambian management team deserves close examination.

Chapter 4: Management training and development opportunities

4.1 Training institutions

76. There are a number of training institutions in Zambia largely providing entry-level and intermediate certificate and diploma courses in functional subjects. It will be seen that qualifications are usually British, although there is a new tendency to look to South Africa for professional standards. Not much open training in subjects which reinforce the general skills of middle managers (planning, communication, etc) seems to be offered, although institutions are trying to build up this area of their work in an admittedly unresponsive market. (As indicated in the previous chapter industry cannot afford much, if any, training in the present adverse situation.)

77. Except through the consultancy services offered by the major international firms such as KPMG and Price Waterhouse, little advice or training seems to be available to senior management. This may be partly because under the previous regime, when almost all industry was in the public sector, training was handled by the state holding companies ZIMCO and INDECO, which have been abolished. It is in fact only the Zambia Institute of Management (ZAMIM), which was formerly part of ZIMCO, which states in its prospectus that it "has undertaken research, consultancy and development interventions in ... Strategic Planning and Management, Change Management, Total Quality Management" [as well as other areas]. In the case of the very large unified state-owned mining company ZCCM, still to be privatised, training at all levels is still handled in-house.

78. The **Management Services Board** (MSB) is a parastatal organisation providing training and consultancy services. It has operated on a commercial footing since January 1995; all government financial support has been withdrawn since that date. Its professional staff comprises a director and ten well-qualified trainers and consultants. Staff turnover has been high but has been reduced now that conditions of service have been improved and alternative employment is harder to find. One staff member has a PhD and five have master's degrees, some acquired with British technical assistance. British consultants have been providing intermittent advice and training under a three-year British technical assistance project due to end later in 1995.

79. The MSB's main clients have hitherto been in the parastatal commercial and industrial sectors, but that emphasis is now of course shifting as privatisation progresses. Consideration is also being given to offer services to the small-scale sector in collaboration with SIDO and making use of the "Improve Your Business" programme originated by the ILO. The MSB has also been engaged in training and consultancy for civil service reform, and it is now preparing a middle management programme for the civil service, again with British support. (Training for senior levels of the civil service is handled by the National Institute for Public Administration.)

80. The MSB offers a number of short open courses and five-week courses for (British) Accounting Technician qualifications, for which MSB is an assessment centre. The published programme for 1995 lists 39 course titles, but only 24 short courses are definitely scheduled, and MSB does indeed have difficulty in attracting enough participants to make courses worth running. In less stringent conditions many of the courses ought to interest industrial managers, and for the purpose of this enquiry it is particularly interesting to find **"Unit 2 - Production Management"**. This comprises three courses each of one week on 'Organisations Development - TQM Appreciation', 'Strategic Production Management' and 'Production and

Maintenance Management'. Other titles include: 'Computer Appreciation for Managers', 'Effective Human Resource Management', 'Marketing Strategies and Planning', 'Effective Internal Auditing', 'Management of Change and Innovation' and 'Management Training and Development'.

81. The MSB also offers in-house, commissioned training and is attracting clients more successfully than for its open courses. The consultancy side of MSB's activities is very busy. It is thus possible that the content of open courses is percolating to potential users without the need for the courses themselves. The MSB considers itself in direct competition with ZAMIM (qv), the Zambia Insurance Business College (qv), and NIPA.

82. The MSB is considering possible links with British management training and professional institutions in order to reinforce its capability and standing.

83. The **Zambia Institute of Management (ZAMIM)**, as mentioned above, used to be part of ZIMCO, the state holding company, but is now, perforce, self-financing. The principal activity of ZAMIM is to run full-time pre-employment courses for school-leavers in a variety of business subjects including marketing, transport, purchasing and supply, import and export computers, secretarial work, and accounting. Qualifications are usually British (Chartered Institute of Marketing, Chartered Institute of Transport, Chartered Institute of Purchasing and Supply, and so on). Competition for entry is very strong, with up to 20 applicants for each place. The total student body numbers about 500 and there are 50 teachers.

84. The Research, Consultancy and Development Department of ZAMIM offers short, in-service courses, some full-time and some part-time, as well as consultancy services. As at MSB demand for open courses is uncertain, and the fifteen one-week courses in the published programme will be run only if sufficient participation is enrolled. The professional staff of the RCD department numbers only four, of whom one is in the USA on an MBA course financed by USAID. (Further assistance from USAID is in prospect.) The other three have BA degrees in public administration and were formerly in the government consultancy service; they have attended "Training of Trainers" programmes. Staff turnover at ZAMIM has been high, and capability in some of the top-level consultancy areas may not be as solid as desirable; however the client list indicates that a good number of assignments have been funded by third-party agencies which include British ODA, USAID, SIDA, UNICEF and Harvard University. There should be about twice as many in the department, some of whom would specialise in small-scale enterprises. Meanwhile staff is borrowed from other parts of the institute and bought in.

85. The **Evelyn Hone College of Applied Arts and Commerce** (founded in 1963 and named after the last British governor of Northern Rhodesia, Sir Evelyn Hone) is one of five colleges offering post-school education and training under the Ministry of Science, Technology and Vocational Training. (In the United Kingdom they would be called Colleges of Further Education or Technical Colleges, and in Australia they would come under the heading of NAFE, or Non-Advanced Further Education.)

86. The largest of Evelyn Hone College's seven departments is the Business Studies Department, which is divided into five sections: accounting, marketing, computer studies, personnel management and production management. The department has been receiving Irish technical assistance for fifteen years and the present head of department and section heads are Irish. Over the years twelve staff members have received Irish scholarships for MBA and suchlike courses - and every one of them has left the college. Under a new scheme, approved by the Cabinet Office, new staff members, who will not necessarily be Zambian, will have their salaries

topped up from Irish aid funds for a period of up to four years.

87. Another scheme to increase earnings involves evening classes and consultancy services organised through staff associations. These are achieving some success and it is reckoned that the Business Studies Department could in fact be self-supporting. There is an Industry Liaison Committee and contacts with industry and other employers are being built up. This is a slow process, perhaps because of the college's residual image as a not very lively public-sector institution, and industry's own difficulties, do not make it easier to provide placements for work experience. Representatives of professional associations make the most constructive contributions in the Industry Liaison Committee. (Zambia Institute of Chartered Accountants, Zambia Institute of Personnel Management, Zambia Institute of Marketing.)

88. The **Zambia Insurance Business College Trust**, as its name implies was founded to provide training for the state insurance company and for the insurance broking business nationalised in 1975. The employment market for college trainees has long been saturated and the college has diversified since the late 1980s. For the last two years current expenses including salaries have been covered by income. Almost all activity comprises full-time pre-employment courses, for which there is very high demand. There are some 300 full-time students and facilities are overwhelmed. Zambian employers are now reluctant to fund day-release programmes but there is increasing demand for evening classes. The subjects are essentially commercial although some will be applicable in industry: accounting, banking, computer studies, insurance, management, marketing, purchasing and supply, stockbroking.

89. A number of short courses are also run. These include supervisory techniques, secretarial services, and fraud and financial control.

90. In Kitwe, in the Copperbelt, the enquiry team paid an improbable visit to the **Mindolo Ecumenical Foundation**, a Pan-African institution whose members are "engaged in worship, reflection, study and action for the purpose of equipping youth, women and men (ordained and unordained) to serve God in Africa and elsewhere ..." The Foundation turned out to operate, amongst other training activities, an impressively professional Industry and Commerce Programme comprising two-week and four-week residential courses. Course titles and durations for 1995 are:

Basic Supervision Course A. (4 weeks)
Secretarial Course A. (2 weeks)
Basic Project Management (2 weeks)
Advanced Supervision Course A. (4 weeks)
Secretarial Course B. (2 weeks)
Basic Supervision Course B. (4 weeks)
Personnel Management Course (4 weeks)
Advanced Supervision Course B. (4 weeks)
Management Development Course (2 weeks)

'B' courses differ from 'A' courses either in content or in target participation. The Project Management course is the only of its kind found in Zambia. It is not known whether these courses attract good numbers of participants.

91. Most training staff are 'bought in' from the universities, training institutions and enterprises, including ZCCM, the state mining company based near the Foundation. The Foundation also offers in-plant courses.

92. Zambia has at present two universities. The **Copperbelt University** was formerly the Kitwe campus of the **University of Zambia** (UNZA). Business

Studies at undergraduate level were always offered at Kitwe and this situation remains unchanged. UNZA, in Lusaka, offers virtually no business or management training, except for minor courses within the Economics Department.

93. The Copperbelt University, however, has recently formed an Institute of Consultancy, Applied Research and Extension Studies, bringing together and reinforcing the external services offered by three departments including the School of Business. The Institute includes a Business Research Group, the interests of which do not include specifically industrial matters. (The closest areas are "Management Excellence in Zambia" and "Marketing".) On the other hand amongst the many areas in which consultancy and studies are offered production management is listed. It is not clear whether the Institute has in-house capability in this area. The Institute has prepared the outline of a project proposal which seeks funding for further developments.

94. Meanwhile at UNZA the School of Engineering offers Industrial Management as a 4th and 5th year subject to undergraduates in the five-year course, and for mechanical engineering students there is a more specialised course in Production Management. The School also runs postgraduate courses in Production Engineering and Production Management. On the face of it this school would be a good point of contact for the technical aspects of Japanese production organisation, but since the national consultant assisting the present enquiry is a member of the faculty of the School of Engineering separate and independent evaluation is indicated.

95. No examples came to the enquiry team's notice of industrial sponsorship of a management training institution (e.g. by endowment of a chair or lectureship, or finance of a research assignment); nor of collective or group management training activities. The closest to such activities are seminars organised by the Zambia Employers' Federation. It might be expected that companies in which the Anglo-American group has an interest would make use of the training and consultancy services of Organisational Training and Development (Pvt) Ltd, known as OTD, a residential centre in Harare, Zimbabwe, also owned by the group.

4.2 Chambers of Commerce and Industry and other intermediate organisations

96. The **Zambia Association of Chambers of Commerce and Industry (ZACCI)** is composed of four chambers, one in Lusaka and three in the Copperbelt, at Kitwe, Ndola and Chingola. While most industry was in the public sector ZACCI was not very active or influential, but it has decided to appoint a full-time chief executive and is attracting support from donors. (See chapter 5). It has fourteen corporate members, and eighteen trade associations also belong. ZACCI is represented in 27 public organisations, boards, etc.

97. Although the chairman of ZACCI is Zambian it appears that expatriates are heavily represented as leaders of committees and associations. As ZACCI gathers strength in the newly open economy its purpose and virtues will come to be more appreciated and exploited by all sections of the business community. The German model of Chamber, in particular, has played a crucial role in the balanced development of German commerce and industry, balanced, that is, as to the interests of the social partners. In Japan similar organisations take part in highly effective collaboration between government, industry and the financial sector.

98. The **Zambia Association of Manufacturers** is one of the trade associations which belongs to ZACCI. It counts about 100 member firms, some of which are of course small, and acts as an effective lobby.

99. The principal employers' group is the **Zambia Employers' Federation**. Its traditional role has been in industrial relations and negotiation with the trade unions, but it is now aiming to take on a major role in training. To this end it is promoting various workshops and seminars, sometimes making use of ILO inputs. (The ZEF is a member of the ILO.)

100. The principal workers' group is the **Zambia Congress of Trade Unions**. Workers in the enterprises visited by the enquiry team belong for the most part to the **National Union of Commercial and Industrial Workers**, which has in fact recently disaffiliated from the ZCTU. This is a one sign of considerable turmoil in the labour movement, which has not yet come to terms with the new private-sector dispensation and the erosion of trade union influence. Strong and well-informed unions can of course make major contributions to social and economic progress. It will be particularly important for Zambian unions to understand the advantages and disadvantages of the working conditions and practices entailed by Japanese industrial management, and to articulate the fears and desires of the workers who find themselves expected to work within a Japanese style of management.

101. Zambia has a range of professional organisations, largely promoting membership examinations. The **Zambia Institute of Chartered Accountants** seems to be most prominent. There is also a **Zambia Institute of Personnel Management** and it is understood that attempts are being made to give this institute new life. It could, if it comes to attract strong and active membership, provide a good channel for information on human resource management and development and on good practice in these areas. In the present very fluid circumstances in industry it is already important that some institution exercises professional influence in the interests of industrial managers and workers, and this importance will increase if changes in management style and technique are introduced on a Japanese, or indeed on any other, model. Other institutes include the **Zambia Institute of Marketing** and the **Zambia Institute of Chartered Secretaries and Administrators**.

102. As far as the enquiry team could ascertain there is no association of Zambian management consultants such as might promote their services and protect professional standards. In addition to the big international firms, one Zambian firm, Devcorp, came to the enquiry team's notice; this is in fact operated by two resident non-Zambians. There is also understood to be, as in other countries where the public service has been much reduced, a considerably number of individuals who set themselves up as consultants, and a directory of Zambian consultants was jointly produced by three European aid agencies. Some of these consultants must of course be highly competent and effective but it is unlikely that many yet have a convincing record.

4.3 Training abroad and foreign training in Zambia

103. Many of the people met by the enquiry team, especially those in the public service or parastatal enterprises, had been abroad to follow some such programme as an MBA in Ireland or the United States, an MSc in the United Kingdom, six years' technical training in Bulgaria, a few weeks in Turkey organised by UNIDO, or short attachments or study tours in a variety of countries. Presumably these represent the tip of a very large volume of training abroad over the last generation. Taken together the training must have been valuable as general experience of the world, but it is less certain that individual benefits were translated into improved organisational performance. It is to be noted in this connection that the British Council, a major provider on its own account and on behalf of the ODA, has cut down the annual number of scholarships by about two-thirds and is now allocating them only in connection with projects.

104. Asian countries do not seem to figure much as host countries, although one or two Zambians met by the enquiry team have been to India. The only person known to have been to Japan is the British General Manager of Dunlop Zambia Ltd.

105. Over the years development projects have entailed a certain amount of training by foreign experts or advisers in Zambia. Some of this has been at training institutions, for example the MSB. It is known that ILO seminars are sometimes run which are of direct relevance to industry. However in the present situation of liberalisation and commercialisation industry in general does not seem to have been offered any concerted training in, say, how to survive and succeed in the new open economy.

4.4 The need for reinforcement

106. Management training institutions are only useful if they meet demand. This obvious point is worth restating because Zambian institutions are at present suffering from lack of demand brought about by critical difficulties in which industry and commerce generally finds itself, and no improvement in the quality or reputation of the institutions will enable potential clients to afford their services.

107. Existing institutions are beginning to compete with each other vigorously and will be seeking ways in which to reinforce their capability from their own resources or perhaps by establishing links with equivalent institutions in other countries, seeking specific inputs from aid agencies, or in other ways.

108. Any further assistance to training or intermediate organisations should thus be designed with caution, and should probably have limited, incremental objectives (in a kind of 'kaizen' process). When it comes to direct assistance to industrial managers, care must again be taken to identify demand. Such demand will depend first of all on the very survival of enterprises, but also on managers' ability to find time and mental space for new ideas and longer term plans. However valuable new ideas might be, even for survival, it is hard to break out of the pressures of crisis management and to give them proper consideration.

109. Aside from all these cautions, looked at from the safety of an outside viewpoint, the level of managerial knowledge and skill, both in industry and in training institutions, is assuredly limited. It could only benefit, as soon as the time is ripe, from wider learning and experience, be it of specifically Japanese techniques, or of other countries' adaptations of Japanese techniques, or of techniques which are not Japanese at all.

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Chapter 5: Government, industry and technical assistance

5.1 Industrial policy and government activity

110. The whole Zambian civil service is undergoing reorganisation, a process which requires similar upheavals in practice and attitudes to those required in privatised industry and is understandably slow. The organisation of the Ministry of Commerce, Trade and Industry is thus at present provisional, and its activities are carried out in a rather uncertain, short-term framework.

111. A draft industrial policy was the subject of a conference held in October 1994 and a number of changes were made. The new draft is still under consideration within government.

112. Technical assistance has been provided to the ministry in the context of the current Private Sector Development programme (see 5.3 below). As a supplement to this, the MCTI expressed a wish to the enquiry team to study Japanese methods of industrial policy formulation, and this request was referred to the Japanese embassy in Lusaka.

113. Notwithstanding the absence of a general industrial policy the MCTI actively supports industrial and commercial activity through the Investment Centre and the Export Board. The Investment Centre, created with UNIDO assistance under the Investment Act 1991 (since revised by the Investment Act 1993), is a "one-stop" organisation which promotes inward foreign investment; it now has Irish technical assistance. The Export Board promotes Zambian "non-traditional" exports, i.e. exports other than copper and other minerals. It has produced a catalogue of producers and products and is building up other services by way of participation in trade fairs and identification of market opportunities.

114. It should also be noted that the Ministry of Labour and Social Security has a Productivity Department. This is not at present playing an active role in industrial development but plans are being laid for the creation of some kind of productivity centre. A view expressed in the Ministry is that such a centre should be non-governmental if it is to be effective and credible.

5.2 Economic and social policies and activities affecting industry

115. The principal general government policies affecting industry are those of privatisation and liberalisation. These form part of a strategy for promoting economic and social development and reinforcing democracy which is partly autonomous and partly guided by the requirements of the Structural Adjustment Programme and the associated conditions of the IMF and other creditors.

116. Privatisation entails divestment of government holdings in some 158 enterprises. Many are small, and many are not industrial, but the list does include the "commanding heights" of the industrial sector, not least ZCCM, responsible for all mining including copper mining and thus responsible at present for over 90% of Zambia's export earnings. Some enterprises, including ZCCM as mentioned in Chapter 2, have never been wholly owned by the state, and in some the state has been a minority shareholder.

117. The privatisation programme has been going more slowly than hoped for, owing to the difficulty of finding suitable buyers. Meanwhile the main state holding company, ZIMCO, has been simply wound up, leaving its

subsidiaries with no boards of directors and none of the central control, services and financial cushioning to which they were accustomed. (Shares are technically owned by the Ministry of Finance or by the Privatisation Trust Fund.) The state's other option is liquidation and amongst the casualties, for the most part small, two major transport companies have, sensationally, met this fate, namely the state airline, Zambia Airways, and the main long-haul bus company, UBZ.

118. Privatisation may entail sale of all shares to a single individual or corporate buyer, who may or may not be Zambian; sale of partial shareholdings to the other shareholders, who may have pre-emptive rights dating from original nationalisation; flotation of shares on the open market for purchase by individual Zambians; or management or employee buy-outs for which special deferred payment terms are available. These buyouts are only available for a specified list of 28 enterprises. The whole operation is conducted by the Zambia Privatisation Agency, which has received substantial financial support ($18 million) and technical assistance from USAID. The central objective of the ZPA is to sell off the enterprises and it only concerns itself with future management abilities and the likely survival of the enterprises to the extent that payment of the purchase price depends on management ability and enterprise survival[13].

119. Privatisation, or the prospect of it, can create difficulties for industrial enterprises, not least the uncertainty as to future employment prospects, either in a restructured firm or at worst after liquidation. But privatisation itself may be less traumatic than previous commercialisation, that is to say the withdrawal of operating subsidies or other financial support, which was initiated by ZIMCO before its own abolition and itself forms part of the general policy of liberalisation.

120. Liberalisation entails the abolition of many familiar controls: exchange control, price control, and import control amongst them. One price change important to industry has been the tripling of electricity charges. Many enterprises are doing their best to call in debts, often in the form of unpaid government bills, to ease liquidity problems which did not threaten their existence under the previous dispensation. Some 50 pieces of legislation are being modified to permit an altogether reduced regulatory environment. The government has recently ratified two ILO Conventions[14] which in effect permit workers to belong to the union of their choice (or to none at all), and the labour movement, already under stress, is showing further signs of fracture.

121. The management of formerly state enterprises are thrown into a wholly unfamiliar external environment and must at the same time accept a degree of autonomous responsibility which is completely outside their previous experience. Amongst their most pressing new duties will be the

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[13]The ZPA has had to issue a press statement on 'Asset Stripping in Parastatals'. "There has been an overwhelming number of complaints", it begins, "from employees and the general public that some managements are engaged in a systematic scheme of asset stripping and in uncommercial transactions often reflected by a rapid increase in parastatal liabilities and a material decline in profitability from previous years." The statement goes on to list the responsibilities of various parties for parastatal asset monitoring. (Source: Times of Zambia, 20 June 1995)

[14]Convention 87: Freedom of Association and Protection of the Right to Organise (1948), and Convention 98: Right to Organise and Collective Bargaining (1949)

transformation of corporate culture from a comfortable one in which rights and internal convenience prevail to a most uncomfortable one in which survival depends on pleasing customers with the price and quality of product and service. This would appear to be a promising field for UNIDO assistance, always assuming that new owners or existing minority shareholders are not ready and able to take on the problems, perhaps because they are TNCs.

122. A separate government policy, namely trade policy as implemented through tariffs, has pronounced effects on industrial performance. The policy appears to be an uneasy compromise between free trade principles and an urgent need to raise revenue. It (the policy) is also constrained partly by Zambia's obligations under the GATT, and partly by its membership of COMESA (formerly PTA). In practice, the import tariff structure prevailing for two years up to January 1995 incorporated much higher duties on raw materials than on finished products made of these materials, thus putting Zambian producers at a severe competitive disadvantage. It is also asserted that South African exporters enjoy certain tax or tariff privileges which give them an unfair price advantage, and the Zambian government is it seems unable or unwilling to take counter-measures.

123. Enterprises engaged in foreign trade, including manufacturers, have had to contend with the unpredictable exchange rate, and all enterprises have to operate in the difficult environment of very high price inflation and correspondingly high interest rates in the newly freed financial market.

124. As already mentioned in Chapter 2, the next important novelty will be the introduction of Value Added Tax, replacing Sales Tax, on 1st July 1995. VAT will follow the simple British model, with only two rates, one of 20% and one of 0%, and many exemptions. (There is a technical difference between exemption and zero-rating.) Some 7,000 enterprises have registered for VAT and the government is holding VAT familiarisation seminars around the country.

5.3 Current and forthcoming technical assistance

125. As previously mentioned in this report one of the three programmes in the GRZ/UNDP Fifth Cycle of Technical Cooperation is entitled **Private Sector Development**. It comprises six components which address certain specific problems affecting the transition to a market economy. UNIDO[15] is the lead agency and is contributing to all components. They are:

Component 1: Strengthening national capacity at the Zambian Privatisation Agency

Component 2: Strengthening capacity at the Ministry of Commerce, Trade and Industry and key support agencies for private sector policy implementation, namely the Small Industry Development Organisation, the National Council for Scientific Research, the Technology Development Advisory Unit, and the Zambian Association of Chambers of Commerce and Industry (ZACCI)

Component 3: Support to develop a securities and capital market within the financial sector in Zambia

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[15]UNIDO has a high profile and is well respected in Zambia. In addition to the major activities mentioned in this section at least four other projects are in progress or just coming to an end.

Component 4: Support to establish one-stop investment centre

Component 5: Support to the legal drafting office

Component 6: Support to small, micro and informal enterprises.

It will be seen that these areas do not directly address industrial management or other aspects of industrial operations. The only point of contact with a programme emerging from the IHRD project of which this study forms a part is likely to be ZACCI, which might be an effective channel for information and other means of delivery.

126. Assistance to **ZACCI** furnished by GTZ comprises the funding of a Zambian economist who will provide ZACCI with research capability. The input will include computing and other equipment. The sustainability of the economist's position after external funding comes to an end will depend on ZACCI members' willingness to foot the bill. In addition UNIDO is to provide an expert to advise and assist ZACCI with the construction of a data base on industrial activity. Furthermore an agreement was concluded in June 1995 with the Friedrich-Ebert-Stiftung for funding of a small-scale enterprise department (probably one person). As an operational activity, rather than a matter of technical assistance, ZACCI has been invited to tender for the administration of a Swedcorp scheme to create technical and managerial links between Swedish and Zambian enterprises.

127. The GTZ input to ZACCI mentioned above forms part of a three-country GTZ project entitled 'Integrated Advisory Services in Southern Africa' which aims to enhance the performance of small and medium-sized privately owned enterprises in Malaŵi, Zambia and Zimbabwe. Chambers of Commerce and Industry or other entrepreneurial associations will be the implementing agents, and especially in the case of ZACCI will be target beneficiaries. Amongst the "sub-goals" for Zambia, subgoal (3) is "Selected enterprises have increased their productivity", and related activities include "build up data bank for sectoral structure analysis; conduct short analysis of support-requesting companies; conduct specific advisory activities (company-related) on all management and technical issues; introduce a monitoring system." Activities under "Regional Coordination" include "develop and implement a system of coordination and cooperation with other bilateral and multilateral donors and other institutions representing economic interests." There is self-evidently scope for collaboration in respect of any project or programme which follows the current Japan/UNIDO project.

128. The enquiry team was separately informed that ZACCI, having been essentially a private-sector organisation does not represent the majority of Zambian industry, which has of course been, or still is, in the public sector; and it comprises only four chambers (in Lusaka, Kitwe, Ndola and Chingola). ZACCI is the only organisation of its kind in Zambia and if it successfully absorbs the technical and material assistance now in progress it can be expected to attract a growing and more active membership and to become a major and authoritative partner in policy formulation and implementation as well as a most useful link with technical and managerial developments in other countries. The appointment of a full-time Chief Executive will certainly enhance ZACCI'S effectiveness.

129. German assistance is in progress at the **MCTI**, in the form of two long-term consultants. It is understood that further assistance on a short-term basis is foreseen for reinforcement of industrial statistics capability. UNIDO has a Chief Technical Adviser, on split assignments, to assist the MCTI in the process of restructuring.

130. A programme financed by the European Union is assisting the introduction

of ISO 9000 in six textile enterprises.

131. One further UNIDO project, although completed in 1994, should be mentioned. This was entitled '**Diagnostic Rehabilitation of Industrial Enterprises**'. A seven-person team of consultants examined all aspects of the operations of ten enterprises and reported on their viability and their capacity to compete in a open market.

132. **A Human Resources Development Programme for small enterprises** funded by **USAID** is coming to an end but may be extended. (Although the target enterprises are small, they have a record of two years' continuous operation; the programme does not offer start-up support.) The United States **International Executive Service Corps** has an ongoing programme of advisory services provided by volunteers to individual Zambian enterprises of various sizes and kinds, including industry. A still very tentative proposal has emerged from these two programmes for the creation of some sort of "Business Centre" for use by Zambian enterprises. So tentative is the idea that it is not yet in writing. If it germinates at all the possibility of UNIDO collaboration might be investigated.

133. The **Management Services Board** (see Chapter 4) has been receiving **British** aid in the form of periodic support from consultants for more than two years. The programme comes to an end later in 1995. It is considered to have had some success in raising performance standards and in creating more of a self-reliant attitude.

134. The Business Studies Department of **Evelyn Hone College** has been receiving **Irish** aid for no fewer than 15 years. The Head of Department and Section Heads are all Irish. The success of the programme has been undermined by poor conditions of service for Zambian staff: all 12 members of staff given scholarships for MBA or equivalent qualifications have left the department upon completion. The Irish now intend to top up the salaries of present staff and new recruits (who will not necessarily be Zambian). This new programme will last for 2-4 years but the real solution will lie in the full release of the Department from governmental terms of service. (See Chapter 4 for more on this point.)

135. It is also important to note that a major programme, financed by **Dutch and Danish** aid, is in progress at the **Ministry of Science, Technology and Vocational Training** and will have a major bearing on the supply of industrial human resources. A 'Statement of Policy and Intent: Technical Education, Vocational and Entrepreneurship Training' has been completed and issued. This is now to be followed by nine studies:

- Policy and Legal Environment
- Training Needs Assessment and Design of Training Needs Analysis System
- TEVET Training Systems
- Informal Sector Training Systems
- Entrepreneurship Development
- Audit of Training Institutions
- Information, Library and Documentation
- Structure, Organisation and Management of TEVET
- Financing TEVET

This report is not the place for a full assessment of this programme but it will require careful study if any management development programme, UNIDO or otherwise, is to be compatible with it. Meanwhile it is to be noted that certain important components of TEVET, although they may come to be covered within one or other study, do not merit "headline" status, for example apprenticeship, and standards and certification, and the always difficult frontiers between spheres of responsibility. The

Statement of Policy and Intent in fact seems to assume a controlling rather than an enabling role for the state (in contrast to other GRZ policies); and takes the optimistic view that it is possible to predict training needs. But there is no mention of development of the labour market information system needed to give direction to TEVET. LMI may of course be the responsibility of a different ministry. In any case the studies themselves might well throw up revisions, at least of emphasis, to the policy itself.

136. Another project of contingent importance to this enquiry is British support to the Zambia Revenue Authority, set up to improve the government's capacity to collect the taxes and duties payable. The ZRA has apparently had some success in the last year, and the resulting increase in government income is crucially important for the successful maintenance of a tight monetary policy and stabilisation of the currency.

Chapter 6: The challenge to industrial management and the possible role of the Japanese model

6.1 The need for management development

137. To the outside observer organisation and management in Zambian manufacturing enterprises are old-fashioned and it is tempting to recommend change for that reason alone. But if an enterprise is rubbing along in a state of modest profitability, and has indeed survived the major difficulties faced by manufacturing in the last few years, the desirability of change, and all the discomfort of new procedures and relationships, is less obvious. Nor does the dreadful appearance of some workshop or other - old machines, broken and dirty floor, discarded material and work-in-progress all over the place - lead to the necessary conclusion that major upheaval is required. In such a hypothetical workshop the factory inspector, with an eye to health and safety, may of course issue some fairly drastic instructions; but a factory inspector can impose costs which drive an enterprise out of business, and in the same way management consultants can all too easily recommend changes which cost more than can be afforded in advance of the hoped-for benefits.

138. Some company managers met by the enquiry team do in fact take the view that they are operating satisfactory systems and that, having done so for, say, a couple of decades, they can safely continue with them indefinitely. To the extent that they are producing relatively low-value, low-technology, routinely required products which cannot be sold beyond the local market, they may just possibly be right. Right, that is, so long as producers outside the local market do not start bringing in low-value, high-technology, higher quality, more attractive, routinely required products which can bear the higher transport costs and even import duty and still be sold at a profit-yielding price. (Plastic bowls and buckets, or sandals, imported from East Asia might be an example.)

139. In most Zambian companies visited by the enquiry team, however, and in intermediate organisations, improved management is seen as essential and urgent. The spread of the quality standard ISO 9000 is a good sign that the matter is already being tackled. Generally improvement is seen as applied to existing styles and systems, and especially at "middle management" level. It is not at all clear or certain, once this need for improvement is admitted what it comprises or how it might be achieved, nor what the particular defects of "middle management" might be. If management is "improved", what will be the results ?

140. Only in one or two companies is a need recognised for the kind of systemic change implied by the adoption of total quality control, lean production, or Japanese management (whatever it might be called), which incidentally alters the whole nature of "middle management"; and even these appear to have little confidence that the perceived cultural barriers could be surmounted. The question does not seem to be asked whether there are not already cultural barriers, so well integrated as to be invisible, which inhibit the success of current styles of management.

141. More effective management, whatever it might turn out to comprise, is seen in Zambia as one essential response to the growing intensity of international competition. This competition results most immediately from the reduction of regional tariff and non-tariff barriers and from the opening up of South Africa as an exporter and investor with no further need for subterfuge. The incomplete regulatory and fiscal environment in Zambia imposes further pressures, as do South African export subsidies. On the wider stage and in the longer term Zambian industry cannot escape the

effects of global developments in technology, telecommunications, product design and production, materials, transport, and not least enterprise organisation, all of which tend to make every manufacture better, cheaper and more readily available in the most remote corner of the world. Global manufacturing capacity already outstrips demand for a vast range of products. In this modern world, what are Zambian manufacturers to do ? There is really only one answer if they are to survive, and it lies almost entirely in the hands of enterprise managers to provide it. They too must offer better, cheaper and more readily available products which respond to their customers' increasingly precise demands.

142. It must be recognised that very poor customers do not have "increasingly precise demands"; their only interest is to obtain bare essentials at the lowest possible price. Much as they would prefer to opt for the more durable or functional manufactured product (to the extent that they buy new products at all) they cannot contemplate such purchases if they entail a kwacha more in outlay. Here is the market for ill-designed, ill-finished items, otherwise unsaleable stock. It may be a rational decision for a manufacturer to produce deliberately for this market while it exists on an adequate scale but it would certainly represent a defeat for economic development if the policy was the best available to him in the long run; and even at this very lowest level of demand competition from better-quality products, at even lower prices, may enforce higher aims.

143. Managers cannot however be held exclusively responsible for the success of their enterprises: government, investors, employees, suppliers (of material and finance), each have their role to fulfil. It should all the same be added at this point that ownership of an enterprise is much less important than the quality of management. A publicly-owned enterprise or organisation can perfectly well meet high quality objectives as well as financial targets or whatever alternative targets it may have.

144. Privatisation or commercialisation of an enterprise does of course present managers with very great operational and psychological challenges, if they stay in the enterprise at all. They have to adapt very quickly to the exercise of responsibility and autonomy which they have never previously experienced, and to learn, probably on the hoof, that is without any formal training or assistance, how to revolutionise working practices and attitudes at all levels and in all corners of their new dominions.

6.2 Scope for Japanese management style and techniques

145. What can Japanese management style and techniques offer in the general context of Zambian industrial survival and development, and in the special circumstances of newly commercialised or privatised manufacturing enterprises ? And if the style and techniques are likely to be useful at least in some modified form, what should the mechanism be for introducing and sustaining them ?

146. It is frequently maintained that Japanese industrial success has been rooted in Japanese patterns of behaviour, especially their willingness or preference to work in groups and to come, after lengthy discussion, to consensual decisions. This cultural template is reinforced by their homogeneity and their high level of education. In the absence of such group behaviour, homogeneity and education it is held that Japanese management will not work or has to be so far modified as to be virtually unrecognisable.

147. In the necessarily brief discussion of these points in the Namibia study in this series it was suggested that although the Africans were by no means homogeneous, they did have a preference for consensual decision-making which might make a good platform for the understanding and

acceptance of at least some aspects of Japanese management. It was also suggested that Africans might be less willing to accept the disciplines of successful industrial production especially in terms of dimensional precision or time measurement. The question whether these disciplines can be acquired through education and experience was not addressed.

148. When Japanese enterprises are established outside Japan the senior management is always Japanese. It is much argued about, and not yet determined, whether Japanese managers are essential, or to what level, or for how long, in such expatriate Japanese firms. (It is said that Japanese managers do not welcome foreign postings.) Similarly it is not certain that existing non-Japanese firms can successfully adopt the Japanese style and techniques as a package without benefit of Japanese managers. It seems likely that if a firm decides upon fundamental organisational change a foreign manager is more likely to break the mould of previous working attitudes and practices successfully, but to the extent that at least some aspects of Japanese practice is now conventional and international (flying the flag of 'Lean Production' or 'Total Quality Control') specifically Japanese intervention may not be required. Indeed, given the reported strains between Japanese and other managers and supervisors in some companies outside Japan, an intermediate non-Japanese outsider may be preferable.

149. There is in fact no need to be alarmed about cultural baggage in a good deal of Japanese manufacturing practice. Some changes are strictly technical, and some quite small changes can have important effects on productivity and working conditions. Small, incremental changes are part of the essence of the Japanese method ('Kaizen'), but there is no need to create alarm by using this word; similarly the need for and benefits of a clean and well-ordered work-place can and should be demonstrated without recourse to the almost philosophical rules of '5S'[16].

150. The technical aspects of Japanese management are well brought out in a recent study of applications in developing countries[17]. Eight areas of production organisation are affected in a change to 'flexible specialisation'. (See pp 19-20). These are:

(1) the handling of inventories;
(2) the approach to quality;
(3) the layout of the factory;
(4) the determination of optimum batch and lot sizes;
(5) the organisation of work;
(6) the reaping of systemic gains and the introduction of work-teams;
(7) changes in inter-firm linkages; and
(8) instituting processes of continuous change.

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[16]Five Japanese words beginning with 'S'. Seiri: distinguish the necessary from the unnecessary and discard the unnecessary; seiton: put things in order and ready for use; seiso: keep the workplace clean and find defects; seiketsu: personal cleanliness; shitsuke: observe working practices as decided.

[17]Raphael Kaplinsky (Institute of Development Studies, University of Sussex, England) with Anne Posthuma (1994), **Easternization**, op.cit. This book includes four case studies of applications in Zimbabwe and their differing outcomes. The author regards "easternization" as indispensable, but the book is tantalisingly inconclusive as to its general applicability or operational and financial effects. All the same it give invaluable food for thought by senior managers contemplating the introduction of new techniques.

No Japanese words here, although a few creep into subsequent text. A production manager will consider it normal and essential to balance the production processes so that output of one matches the required inputs of the next. There is nothing particularly Japanese in the origin or application of cellular production and group technology. Some specifically Japanese techniques are indeed entailed, such as the continuous control of quality (replacing final inspection), and cooperation with suppliers to ensure quality and timeliness of bought-in inputs (replacing arm's-length competitive tendering for each order). These techniques may well require major changes of habit and thought, but they are not unapproachably alien.

151. This book also corrects the misapprehension that Japanese techniques require heavy investment in automated machinery. The situation is very much the reverse, and while some expenditure on new equipment or on refurbishment may be necessary in order to achieve balanced production, Japanese methods aim to make the most of existing factor inputs, including as it may be elderly machinery. Similarly Japanese techniques are not hard to understand or operate and do not by any means require Japanese levels of education. All the same it seems likely that the techniques will not be fully absorbed as normal working practice without some parallel changes in attitudes to the enterprise and attitudes to work itself.

152. The aspect of work organisation in Japan itself which must be the most difficult to replicate elsewhere lies in the area of working relationships. The essence of Japanese 'style' is the collaborative, non-confrontational relationship between workers and their supervisors, and so on through the hierarchy; but this style, while it entails lengthy discussion of future plans and encouragement of workers' proposals for procedural improvements, also entails willing submission to decisions once made and disciplined observance of the exact procedures laid down. Even in Japan the style is by no means innate or immemorial and was preceded by a period of ferocious industrial conflict in the 1950s. It is all the more difficult to introduce in a country with "western" traditions of individualism such as the United Kingdom[18] or the United States. Can it be achieved in countries where working relationships, already based on quite different traditions and expectations, are often further complicated by differences in national and ethnic background, usually corresponding with levels of responsibility, within the same enterprise ? To what extent should employees be required to commit themselves to the success of an enterprise ?[19]

153. If Japanese management techniques are to be tried out, their introduction must be whole-hearted and it is clear from reported experience in Kaplinsky and elsewhere that full commitment from senior management is indispensable; it is not a question of some arcane details which can be left to the "technical people". In fact some of the technical people, in the form of relatively junior shift managers or supervisors, are the most likely to derail the new systems, either because they have not been properly informed or through fear-based malevolence. Highly effective leadership is required, allied with internal communications which are good enough, even before the introduction of Japanese systems, to explain the

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[18]**Becoming World Class** by Clive Morton describes the author's experience as Director of Personnel and Administration of the Japanese construction plant manufacturer Komatsu UK during the first six years of its operations in England. He has interesting comments on the sometimes difficult working relationships between British and Japanese managers.

[19] Kaplinsky (op. cit., p285) quotes a Zimbabwean trade union manager: "If they want loyalty, let them get a dog."

purpose and benefit of all the intended upheavals to the entire workforce, and to persuade them to adopt them fully and to make them successful. It is a very great help if the initiator, or "champion", is a senior manager who has direct previous experience, or has at least seen for himself with his own eyes.

154. Participants in the seminars on Japanese management style and techniques held in Zambia in June 1995 included both Zambian and non-Zambian senior managers; their response to the ideas presented was positive and enthusiastic. One of the major themes was the Japanese technique of enlisting the ideas and positive cooperation of shop floor workers in instituting procedural and technical improvements (Kaizen). Apparent confidence in the ability and willingness of African workers to cooperate in this way is not consistent with views expressed to the enquiry team on several occasions, also by senior managers. Perhaps it has been the supervisory or managerial technique which has hitherto been unsuccessful rather than inherent qualities in the persons being supervised and managed[20].

155. There appear to be different approaches to the introduction of Japanese management techniques, or rather different orders of proceeding. The view - and practice in his own company - of Professor Gondhalekar, who addressed the Zambia seminars, is that 'Kaizen' is the starting point: first of all you tap the ideas and release the pent-up experience of operators themselves. Practice in Zimbabwe, comprising Kawasaki systems introduced by Price Waterhouse consultants, commenced, as reported by Kaplinsky, with relatively technical changes, for example in workshop layout, decided upon by management on consultants' advice, albeit with the cooperation, and hopefully the understanding, of the operators. Another view expressed to the enquiry team at an earlier stage of this project was that '5S' was the starting point, the essential means of establishing "control". One element of 5S is that operators should keep their own workplaces clean, not often a familiar or acceptable practice, and the point here appears to be that until agreement is reached anything approaching Kaizen is symbolically impossible. The introduction of collaborative management in an authoritarian style is seemingly self-contradictory, but it may be argued that employees' attitudes and understanding, or those of their trade union representatives, are so remote or negative that some major "step change" is necessary, or we will never get started.

156. The archetype of Japanese management is Toyota, and indeed the systems have been developed for the manufacture or purchase of a very large number of components and their assembly into a constantly changing variety of very complex products, namely automobiles, each of which may be different from the previous one, or the succeeding one to be produced. The systems can be, and are, usefully applied to much less complicated production, not necessarily involving metal, and they are even applicable to some extent in complicated service operations such as banking or insurance; but their essence lies in the coordination of discrete processes and the assembly of a number of components, and the fewer processes or components there are in a production process the less of the Japanese system can be used. The applicability of Japanese management techniques, and certainly of Japanese style, never disappears altogether; there are always lessons for quality, or inventory control.

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[20]Another remark reported by Kaplinsky (op.cit.), this time from a British source: "The beauty of it is that with every pair of hands you get a free brain."

6.3 Not all plain sailing

157. It must be recognised that Japanese management is not without its undesirable outcomes. One fairly obvious one, for workers at least, is that successful application will increase labour productivity and by definition an increase in labour productivity entails the use of less labour for the same output. "Workers" in this case may include supervisors, inspectors and perhaps a layer of management. Kaplinsky (p213) reports an example from a firm in Zimbabwe. [The consultants] "had focused on the problem of what to do with the workforce if there was no longer any point in manufacturing for stock or WIP: 'What do we do with the operators then ? We recommend they be moved to other areas where productive work is required. Use the opportunity to undergo training in new skills, engage in Housekeeping activities, carry out improvements. Although this time may be regarded as Non-value time it is more valuable than the cost of overproducing.'" This seems a curiously feeble response when Japanese management requires a fully integrated and properly costed plan; and surely the operators deserve less casual attention to their working future.

158. Problems for workers who are not displaced may include greater stress "stemming from the exigencies of the JIT-system and wasteless production[21]. In fact, some have called [lean production] 'management by stress'. These characteristics have led to the view that the system is a new form of sweatshop. If this were so, it would raise the question of whether stressful or abnormally hard work is an inevitable by-product of [lean production] ... Toyota is said to have an unusually high labour turnover, and has experienced difficulties recently in recruiting young workers because of stressful working practices." It should be emphasised that unacceptable stress has not been conclusively demonstrated to go hand-in-hand with lean production, but the Confederation of Japan Automobile Workers' Union, the International Metalworkers' Federation and the German metalworkers union IG Metall have turned their attention to the problem. IG Metall's "alternative production concept ... attempts to reconcile the targets of efficiency and attractive, humane work ... Germans employers agree that team work is to be used not just for efficiency's sake, but also for humanizing work. At the same time, there is a warning against simple copying of Japanese techniques."

159. According to Kaplinsky watch must be kept for what he calls "homoeostasis", or more informally "backsliding". This is a trend, after

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[21]Quotations in this paragraph are from the introductory chapter by Werner Sengenberger of the International Institute for Labour Studies in a collection of papers presented at the second meeting of the Panel Forum on Labour in a Changing World Economy and published under the title **Lean Production and Beyond: labour aspects of a new production concept**. (Publication details in Annex 4.) Although even in the preface reference is made, (amongst other Japanese K-words such as "kaizen"), to "karoshi", meaning "death at work", a melodramatic term for the result of stress and excessive commitment to work, Sengenberger's chapter and the book itself are even-handed and some of the papers maintain that lean production can perfectly well be both efficient and humane. Also in the preface Sengenberger refers to a more cheerful Japanese k-word, "kyosei", meaning approximately "coexistence" or "co-prosperity". This term "has come to stand for an emerging will in Japan to seek some accord with competing nations ..." John Humphrey, a colleague of Kaplinsky's at the IDS, contributes a paper on "The management of labour and the move towards leaner production systems in the Third World: The case of Brazil" and highlights the need for change in the authoritarian attitude of Brazilian management to their employees. This IILS publication is in fact well worth attention.

some months of enthusiasm, to revert to older and more comfortable working practices, not least to store up some almost secret work-in-progress which reduces the risk of being caught out by sudden demand for inputs to the next production progress, or sudden demand from customers, or supply difficulties.

160. Indeed it is a point to be recognised that the purchase of inputs on a just-in-time basis has to take into account the reliability (or otherwise) of supply, the relative cost of buying smaller or larger quantities, the interest cost (which may be negative) of holding stocks, and likely price changes in international and local terms. All these factors feature prominently in purchasing decisions in current Zambian conditions.

6.4 Integrated human resources development[22]

161. Integrated HRD is a concept elaborated in different parts of the United Nations system. It is still uncertainly and variously defined, but in its essence it has a close connection with Japanese management systems, or certain aspects of them. This essence lies in the relationship between the acquisition of knowledge and skills and the application of knowledge and skills. That this relationship should be close seems obvious enough once stated, but this is a principle as often disregarded as it is observed: by educational and training institutions which turn out graduates well educated and trained in subjects and skills for which the labour market has no foreseeable use; and by employers who throw new employees into the deep end without a shadow of induction or instruction.

162. The definitions given to integrated HRD by UN organisations generally have a national focus, but they are also applicable, or at least adaptable, in enterprises or organisations, especially the definition adopted by UNIDO.

163. The essence of UNIDO's integrated HRD programme is as follows:

- to support the development of the human resource base - a critical mass of women, men, youth and rural peopleñ and
- to enhance technological advancement, industrial competitiveness, entrepreneurship-cum-employment generation, innovation and quality.

UNIDO's integrated programme develop activities, methodologies and instruments for policy makers; promote synergies between public and private sector institutions, enlarge the number and enhance the quality of competency among entrepreneurs and technicians.

164. This widening brings the concept into alliance, if not congruence, with the "hexagon contract" described by Charles Handy[23]. The hexagon contract is between the firm and its six stakeholders or interest groups, these being the people or organisations which have an immediate interest in the survival and prosperity of the firm: investors, employees, customers, suppliers, the local community, and society at large. The implication of a hexagon contract is that no one party becomes the sole or pre-eminent focus of an enterprise's objectives or activities; emphasis on financial return, "the bottom line", should be balanced with due consideration of the other five interests. Similarly it is no good emphasising social

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[22] This section is borrowed, with modifications, from the Namibia report in this series, paragraphs 165 to 173.

[23] **The Empty Raincoat**, London, Hutchinson, 1994. Chapter 8, "The Corporate Contract".

responsibility if "the bottom line" cannot support it.

165. The UNIDO definition is based on the approach whereby three themes: employment and manpower development; science and technology; and the quality of life are considered in an integrated way. These are analysed a good deal further in the Jakarta Declaration, and interested readers should refer to the Declaration itself for details. The main point is that policies which start in any one of the three thematic areas should always take account of the implications in the other two areas. Once again this sounds obvious enough once stated, but it is not hard to find specific examples of policy formed - and implemented - in what might be called a thematic vacuum. Not only government policy, but industry and enterprise policy as well.

166. The question raised is why is this policy coordination, desirable as it may be, put under the heading of human resources development ? The objective of doing so is primarily to emphasise the centrality of human beings and their well-being in all the efforts of governments and other decision-making bodies, be they supra-national (the UN itself and its agencies) or public services, financial institutions and productive enterprises which may operate in one country or several. It can, and perhaps should, be argued that "human resources" is an unsuitable term which implies that humans are instrumental in someone else's designs, simply "resources", whereas they are in fact not only resources but also, and primarily, beneficiaries; and that "HRD" is just as unsuitable a term for a grand human-centred design such as "integrated HRD", since HRD is often identified with training by itself, and that is indeed the more traditional meaning of the term. However for the time being at least integrated HRD is the best term we have.

167. Meanwhile the United Nations Economic Commission for Africa has set out its own definition for Human Resources Development and Utilisation, thus going some way to meeting objections to the simple term "HRD". ECA starts from the usual central premise of acquisition and application of knowledge and skills, and sees HRD as embracing education, training, employment promotion, and fourthly health and nutrition. This last heading is divided into (i) primary health care, (ii) child survival programmes and (iii) environmental programmes particularly to improve the quality of social services such as health, housing and transportation. These are in fact more detailed components of the "quality of life" theme used by ESCAP.

168. The UNDP has developed and is promoting a definition of HRD specifically directed at the promotion of employment and self-employment. Once again acquisition and application of skills and knowledge is the heart of the matter. Two quite different components are bolted on to it. One is access to assets, and the other is a favourable operational environment. The assets to which access is needed may be land or capital or both, but they may comprise simply a toolkit or a bicycle, or perhaps somewhere to live; the operational environment may comprise the civil peace and the absence of threatening criminality which most of us take for granted, and a fair and certain regulatory system, often called "a level playing field".

169. The fundamental implication of the UNIDO definition of integrated HRD for an industrial enterprise is that the employee is not to be viewed simply as an instrument in production, but rather as partners who fully share the objectives of the enterprise, and for their part recognise the interests of the other stakeholders, including the investors; and all concerned work to use their full potential. It is here that the principles of integrated HRD, the hexagon contract and Japanese management style start to converge, even if they do not exactly meet.

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6.5 Channels of communication

171. If Zambian managers decide that they wish to find out more about this Japanese management, how are they to set about it ? At the initial stage a process of informal diffusion may well take place through the general media (newspaper features, radio and television, an article in an in-flight magazine) or through more specialised publications (commercial or management journals). Conversations at business meetings or private occasions may take in the subject, especially if some enterprise or another, not necessarily in Zambia, is known to have taken up this Japanese management.

172. Zambia is already connected to the "information superhighway" through Zamnet, an Internet access point at the University of Zambia. The development of telecommunications within Zambia will soon allow organisations and enterprises of all sorts, as well as individuals, to have access to the system at low cost. Early uses are more likely to be for electronic mail and perhaps for technical and financial data transmission, but the system also opens the door to huge volumes of general information and research results. How this facility can usefully be exploited remains to be worked out, but its existence and availability cannot and should not be ignored.

173. At a rather more formal level the parent companies of TNCs may suggest or even press the introduction of Japanese techniques, and provide examples. Other companies which are suppliers or customers and which have introduced Japanese practices are very likely to draw them to the notice of enterprises next to them in the supply chain. (Inter-firm linkage demands close attention in the Japanese system.) The seminars arranged as part of the current UNIDO project, although unusual, are part of this more deliberate pattern of information.

174. This is not of course enough. Major changes in practice can only be successful if carried out with the authority and commitment of the most senior management, which in turn must be fully informed. Commitment and full information will best come from, firstly, seeing with your own eyes, and secondly some serious off-the-job study. Seeing with your own eyes implies a study-tour to examine other firms and is a time-consuming and expensive; not to be discarded for that reason. For Zambians, there are in any case some examples of Japanese management reasonably close to home, in Zimbabwe and South Africa. (Provided that enterprises agree to be visited, study of Zimbabwean experience would be a reasonably easy and inexpensive step, and probably an important one.) Serious study involves, at least, attending one or two residential seminars, and reading a few books. An additional benefit of seminars is that ideas can be discussed with a peer group, and confidence can be acquired. For the present such seminars are not available in Zambia.

175. At this stage the enterprise will have a "champion" who will promote changes and ensure that they are not vitiated by half-hearted and partial introduction. The successful introduction of change (any change) naturally requires management skills of a high order, essentially allied with good communication and first-class training.

176. For longer term purposes up-to-date knowledge of Japanese or other forms of management needs to be resident in the country, and readily available to industrial and commercial enterprises. This requirement points to the development of one or more academic or specialised institutions as reservoirs of knowledge and channels of information with other countries, with, desirably, autonomous research and development capacity. A successful institution would in its turn be able to make its own contribution to the world, especially African, network of knowledge and

experience. The question of organisation and management in Africa should after all be settled on African terms.

177. This all entails a fairly long-term process, not necessarily designed or executed as a single programme, still less financed as such. It would be desirable to start with the creation in Zambia, with the assistance in this case of a single project executed over a matter of months, of a quite small nucleus of knowledge and experience, drawn from enterprises, training institutions, government, employers' and workers' organisations. The members of this nucleus would be in a position to ensure the demand-led nature of future programme design.

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Chapter 7: Conclusions

178. Descriptive and statistical information on Zambian industry is at present inadequate as a platform for conclusions to be drawn with any great confidence. It is much to be hoped that current work on reinforcing statistics will quickly bear fruit, and that UNIDO will very soon be able to carry out its planned survey for the Industrial Review Series.

179. Similarly the publication of the government's Industrial Policy will give a clearer direction to activities which may follow from this report and the associated seminars. Formulation of the policy will itself be assisted by more comprehensive information.

180. Meanwhile there is no doubt that Zambian manufacturing industry as a whole is not in a happy state, reported annual production having fallen by 17.2% in two years. The causes of the decline include increased competition from liberalised imports, an inappropriate import tariff structure (now corrected), and the general decline in the domestic and world economy. They may also include inadequate investment, inexperienced marketing, and insufficient attention to product and service quality. Commercialisation and privatisation of parastatal industries has caused severe systemic and managerial problems.

181. A number of fundamentally unfavourable factors have to be faced by Zambian industry. Zambia's own market of nine million rather poor people cannot support a large manufacturing sector; many basic materials have to be imported; the country is landlocked and far from major markets; the labour force is not specially well trained, or specially cheap once productivity is taken into the equation. On the other hand the regional market in COMESA, if viewed as a whole, and indeed the world market, offer opportunities for high-quality specialised products, or for mature, routine products if competitive in quality, supply, cost and associated service.

182. All countries need a basic metal-working industry even if materials have to be imported, and Zambia in particular needs such an industry to support the mining industry. But it also appears that Zambia's own resources could be exploited more fully. For example there may be scope for adding more value to copper and other metals and minerals before they are exported; a variety of foods and natural medicines could perhaps be produced for export and local consumption, wood resources turned into manufactures, cotton used for high-value textiles and clothing. A number of enterprises are already responding vigorously and successfully to the challenges and opportunities of the rapidly changing market. The ISO 9000 procedural quality standard is becoming better known and a good number of enterprises have achieved it or are working towards it.

183. Enterprise management is largely "western", or more specifically Anglo-Saxon, in style and technique, even if Indians have a strong presence in senior managerial positions. The underlying attitude is that employees are instruments, and costly ones at that. There is a general and perhaps self-reinforcing opinion that African employees need close and continuous supervision, and that the quality of this supervision, or "middle management", is inadequate.

184. Enterprise managers themselves are generally well trained in particular functions but lack recent general management training, or information about new theories and techniques in management. The interest shown in the seminars on Japanese management referred to in paragraph 8 indicates that minds are open to innovation. Meanwhile senior managers have demonstrated toughness and success in surviving the extremely difficult conditions of recent years.

185. Little management training is going on in the present circumstances of financial stringency. Enterprise management does not have a high opinion of Zambian training institutions. While this opinion does not perhaps take recent improvements into account, it may also reflect a marketing failure by the institutions themselves. It is also notable that the consultancy departments of training institutions are reportedly busy, but not necessarily in manufacturing enterprises, and the enquiry team did not come across enterprises in which consultants were in operation. No information is available on the volume and nature of the consultancy activities of the main international firms.

186. The Zambian Association of Chambers of Commerce and Industry (ZACCI), comprising four chambers and a number of trade associations including the Zambian Association of Manufacturers, would need strengthening the collective representation of its constituent interests. Current technical assistance may add to its muscle and reputation, and as the essentially private-sector nature of industry and commerce comes to be more widely understood the potential effectiveness of ZACCI as a collaborative, not adversarial, component of Zambia's national industrial and commercial establishment may well be enhanced. If only for the purposes of this UNIDO project and any future programme ZACCI could play an important role as a two-way channel of information and advice; it is certainly to be hoped that it will do so. Furthermore the respective functions of ZACCI and the Zambia Employers' Federation require clarification.

187. It is regrettable that, for its part, collective representation of workers is at present equally weak. While antagonistic unions may well inhibit change, preferring to concentrate on short-term rights and benefits, a well-informed labour movement can and should perform a most valuable role, not only in protecting the interests of its members, but in communicating and promoting innovative organisation and working practices to the benefit of all concerned in the success of an enterprise or a sector.

188. The opinion of the present enquiry team that Japanese management style and technique has much to offer to Zambian industry in present circumstances is reinforced by the positive reaction to the three seminars run in Lusaka and Ndola in June 1995. The interest and enthusiasm generated needs to be built on quickly. The next step is a much more thorough and detailed appreciation of Japanese management and assessment of its applicability in Zambia; and this could in turn be followed by the design of a properly articulated, demand-led technical assistance programme, preferably a programme which enjoys the interest and collaboration of the TNCs whose interests in Zambia are extensive and growing.

189. If it really leads to a solution to the reported difficulties of in Africa to organisations and standards of work, Japanese management will have made a major, perhaps crucial, contribution to industrial development and general economic development in the whole of Sub-Saharan Africa. This is an area of innovation in which Zambia is well placed to take the lead.

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Data on Zambia

Unless indicated otherwise these data are taken from the UNDP Human Development Report, 1994 edition

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Area: 753,000 sq.kms.
Population density (1992): 11 persons per sq.km.

Neighbouring countries:

Angola	1,250,000	8 persons per sq.km.
Botswana	582,000 sq.kms.	2
Malawi	118,000	87
Mozambique	802,000	19
Namibia	824,000	2
Tanzania	945,000	30
Zaïre	2,350,000	17
Zimbabwe	391,000	27

Other selected countries:

South Africa	1,220,000	33
Canada	9,980,000	3
Austria	84,000	93
Japan	378,000	329

Countries of similar size:

Chile	757,000	18
Turkey	779,000	75
Pakistan	771,000	162

Arable land: 7.1% of land area
Forest: 39 % of land area

Population (est.): (1960) 3.1 million
(1992) 8.6
(2000) 10.7

Growth rate (1992-2000): 2.7% annually

Rural population as % of total (1992): 58

Other countries:

Angola	73
Botswana	73
Malawi	88
Mozambique	70
Namibia	71
Tanzania	78
Zaïre	71
Zimbabwe	70
South Africa	50
Canada	22

Employment (1990-92):

Labour force as % of population	32
Women as % of labour force	29
Labour force in agriculture	38
industry	8
services	54

People in absolute poverty (1992):

5.5 million
of whom 4.0 million in rural areas

Life expectancy at birth:

(1960) 41.6 years
(1992) 45.5 years

Infant mortality per 1000 live births:

(1960) 135
(1992) 84

Under-five mortality rate (1992):

150 per 1000 live births

Maternal mortality rate (1988):

600 per 1000 live births

Population per doctor (1990):

11,110
(Industrial countries: 390)

Adult literacy (age 15+):

(1970) 52%
(1992) 75% (F 67% M 83%)

Literacy (age 15-19):

(1990) 90%

Communications:

Radios per 100 people (1990)	8
Television sets (1990)	3.1
Telephones (1990-92)	1.2

Gross domestic product:

US$ 3.8 billion (1991)

of which

agriculture	16%
industry	47%
services	37%
exports	28%
imports	33%

Real GDP per head in PPP$:

(1960) 1172
(1991) 1010

Real GDP change (%):
(Source: Ministry of Finance and 'Profit' Magazine)

1990	- 3.6
1991	- 2.5
1992	- 6.1
1993	5.1
1994	- 9.7

Resource transfer (1994):
(Source: GRZ (Office of the President) quoted in 'Profit' magazine)

Total external financing US$ 1,239 million
External debt service 682

Net transfer to Zambia 557

Human development index (1992):

Index 0.352
Rank 138 (out of 173 countries)
GNP rank minus HDI rank -4

	HDI	Rank	GNP - HDI ranks
Angola	0.271	155	-35
Botswana	0.670	87	-29
Mala@i	0.260	157	- 1
Mozambique	0.252	159	14
Namibia	0.425	127	-43
Tanzania	0.306	148	22
Zaïre	0.348	140	20
Zimbabwe	0.474	121	- 3
South Africa	0.650	93	-33
Canada	0.932	1	10

Profiles of enterprises visited by the enquiry team

(in alphabetical order)

The Vice-President of Kitwe Chamber of Commerce, Mr B.D. Chiweza, is Group General Manager of Engineering Service Installations Ltd, a family-owned group, and is temporarily managing **ALF Fashions Ltd**, a small manufacturer of school and hospital uniforms and of some general clothing. (The market for general clothes is seriously affected in present economic conditions by the trade in second-hand clothes.) Mr Chiweza has had difficulty recruiting and retaining a manager: four have left in various circumstances in the last four years. He now proposes to take on and train a school-leaver for the job. There are about 21 workers at the moment although the factory is equipped for 35. Labour turnover is rather high but replacements are readily available. Absentees and machine breakdown sometimes create delivery problems. Equipment is rather old but it is hoped that profits from another group company will permit some new investment. (The other group company concerned is to receive a Japanese-financed interest-free loan under a bilateral programme.) The duty on imported materials has been reduced, but the benefit has been eroded by the sharp fall in the value of the Kwacha, as commonly heard in other companies. There is plenty of local competition in the market for uniforms and purchasers are almost entirely interested in price, but any persistence of unreliable deliveries might count against the firm.

Chilanga Cement PLC, Zambia's only cement plant, has been privatised and the government's principal remaining holding of 27.4% has been sold to the public (Zambian residents only) in May 1995. ZAMIC, which already has 6.1%, has pre-emption rights over a further 6.5% held by the government. The controlling shareholder, with 50.1%, is CDC, which also has a management contract until 1996, renewable annually thereafter. Under this contract CDC provides a General Manager and a Finance and Administration Manager and undertakes an annual technical audit. Other expatriate staff include the Internal Auditor (Indian), the Financial Accountant (Bangladeshi) and the Quarry Manager (British). The company is by world standards small, producing 490,000 tons of Ordinary Portland Cement annually. 15-20% is exported to Burundi, Malawi, Zaire, Tanzania, Zimbabwe, Botswana and Namibia. Process materials accounting for 45-50% of production cost are imported and import duty has not been reduced. There is no competition from imports. The company employs 840, of whom 350 at the Ndola plant and the remainder at Chilanga, just south of Lusaka. The total is being reduced by natural wastage. There are training schools at both plants, mostly for artisans. The Works Managers at each plant (one an engineer and one a chemical engineer) report to the GM, together with the Technical Manager (a mechanical engineer), the Finance and Administration Manager (FCMA), the Chief Marketing Manager and the Human Resources Manager. These last two have not undergone full professional training. There is an ad hoc management training programme, and the CDC head office is encouraging this; more can be learned especially in forward planning. Some managers have gone to UK (Henley) and Ireland; no use is made of local management training facilities.

Chloride/Exide Ltd is a subsidiary of Chloride (Central Africa), which is in turn owned by the Trans Zambezi Industries Group, based in Harare and incorporated in the Turks and Caicos Islands. The company makes automotive batteries and industrial batteries for mining equipment and other electric traction in mines. About 10% of sales are exports. A separate but jointly managed company called Exide is responsible for retail automotive sales and uses the Exide label. Exide also imports and sells electrical spares for motor vehicles, UPS for computers as well as fire safety equipment. 70% of raw materials are imported. The recent reduction of import duties which seems to have benefited most firms was not extended to certain high-value materials used by Chloride, which is accordingly continuing to suffer market loss due to competition from imported finished products and from general economic conditions, and is operating at about 40% of production capacity. Budgeted sales for the year to October 1995 are K1.5 billion; this represents a fall in real terms of 20% on sales in the last complete financial year. The part-time Managing Director is Scottish; all other managers and other employees are Zambian except the British Commercial Manager, who has lived in Zambia for 25 years and is resident. There are about 200 employees, down from 300 in 1993, and the target is 150 by October 1995. The General Manager and Works Manager have B.Sc. degrees; the Commercial Manager is a Fellow of the Chartered Institute of Purchasing and Supply; the Finance Manager has almost qualified as a Chartered Accountant; the (lady) Personnel Manager has almost completed a two-year British correspondence course in personnel management and has attended seminars run by ESAMI and other organisations. (This is probably the best qualified management group met by the enquiry team.) Financial stringency has compelled the company to reduce its staff development programme.

Copperbelt Steel Manufacturing Co. Ltd. is one of 14 companies wholly owned by Mwanamuto Investments Ltd, a Zambian family group. (See also Turning and Metals Ltd below.) The group Managing Director is the founder's widow and their son is group Chief Executive. Copperbelt Steel fabricates steel arch supports (from steel strips with a special cross-section imported from Germany) and other equipment for the copper mines; also fencing from steel wire imported from South Africa. 95% of sales are to ZCCM and the company's future is entirely dependent on the mining industry. (The remaining 5% goes to farmers.) There are five other companies competing for ZCCM's business, although two of these are relatively small. Price is ZCCM's main criterion; it also looks at production capacity and quality. Copperbelt Steel's technology is by no means advanced by world standards, but is adequate for the current product range and volume. There are no investment plans for the moment. The Acting General Manager is an Indian accountant and the Works Manager is also Indian. The Technical and Development Manager, Sales and Marketing Manager and Personnel Manager are all Zambian. The company has 120 employees permanent employees and some 30, mostly unskilled, on contract. Employment is in fact increasing (in contrast to many other companies). Employees belong to the Iron and Steel Employees Association and there is a six-member Works Council. Given the general precariousness of employment, the union does not make militant demands.

The **Dairy Produce Board** is at present a statutory organisation responsible to the Ministry of Agriculture. It is up for privatisation and may be purchased by a commercial farmers' cooperative. The board's principal activities are to buy and process cows' milk and to sell fresh and UHT milk, butter, cheese, yoghurt, fresh cream and ice cream. It has five plants, one of which is in Lusaka. Despite its right to buy all milk produced within 25kms of each plant supply does not meet demand for products and the board makes up the shortfall by recombining imported milk powder. Benefiting from lower (liberalised) input prices the board has been able to double output and make an operating profit in the last two years. Sales in 1994 amounted to about K4bn (c. US$6.15m). Even so plant utilisation is only about 30%. The Lusaka plant occupies a much larger area and much larger buildings than are necessary even though some buildings have already been rented out. Some equipment is up-to-date but further investment is required, and there is evident scope for improved working procedures and conditions. Board employees number about 400, down from 750 four years ago, but the present figure is still on the high side. Five senior managers report to the General Manager (Operations, Finance, Human Resources, Marketing and Sales, Company Secretary). Managers of the five plants and a Maintenance Manager report to the Operations Manager. Maintenance responsibilities and facilities have recently been decentralised. There is a management development programme comprising short courses, in-house and external; some training for technical and operating personnel is organised in-house, and other course have been run jointly with the ZCTU.

Dunlop (Z) Ltd makes car, truck, mining and agricultural tyres, and their respective tubes, also other rubber mouldings and adhesives. The company is 57% owned by Dunlop International AG (Swiss), itself a subsidiary of the British conglomerate BTR; 16% by Anglo-American, and 27% by the Zambian government. The government shareholding is low in the divestiture sequence plan, in the fifth tranche. Synthetic rubber, carbon black and most chemicals are imported from South Africa, and natural rubber from Malaysia; only 5% of inputs are local. (Research has shown that rubber can be grown successfully in Zambia.) Dunlop is the only local producer and has 60% of the market for new tyres, the competition comprising (subsidised) South African tyres and others from Korea and China. Second-hand tyres, worn beyond legal limits in Europe, are imported and sold for legal use in Zambia. Some Dunlop products are sold to Tanzania and Zimbabwe. There are 280 employees, down from no fewer than 670 three years ago, but if present group restructuring and sales strategy bear fruit in Zambia employment will rise to about 350. At present the factory operates at about 30% of its capacity. The Managing Director and Works Director are British, the Finance Director is Sri Lankan and the Sales Director is South African. At this level only the Personnel Director is Zambian. All employees below this level are Zambian. It is group policy to reduce expatriate management (and the Nigerian company is entirely African). The company's experience with graduate management training has not been good, and there is in any case a tendency for Zambians to emigrate as soon as trained. For the last 18 months management training has been suspended for financial reasons but before that was systematic at all levels and included attachments to other group companies. (This to reinforce experience.) The Personnel Director was sponsored by Dunlop for a course at the Irish Institute of Management. The Managing Director himself has attended a good number of short management courses, in Japan, UK (Cranfield) and elsewhere. The Works Manager's principal qualification is a total of 37 years' working experience with Dunlop.

Kabwe Industrial Fabrics Ltd (KIF) is 100% state-owned but is in the process of privatisation; bids must be in by 26 May 1995. One bid will be from the management in association from foreign investors. The product is packaging: woven polypropylene, polyethylene sheeting and bags, jute (and kenaf, a local substitute) twine and bags. Last year's turnover was about K3 billion. 99% of sales are in Zambia, to farmers and milling companies. All materials except kenaf are imported and account for 70% of production cost. There are four or five Zambian competitors in polyethylene products and one small competitor in polypropylene; imported finished products are the most serious competitor and these include jute sacks from Bangladesh, which is also the source of the jute used by KIF. There is however no competitive product made from some other material. Employment at 395 is down from 700 two years ago and only 30% of plant capacity is in use. Six senior managers, with normal functional responsibilities, report to the General Manager: human resources, finance, engineering, production, marketing and purchasing. Two of these are women. The finance manager is the only non-Zambian. All have appropriate qualifications for their functions, but little or nothing in the way of management training. The production department has been "delayered" and now has shift supervisors, senior operators and operators. Previously there were also foremen and superintendents. The change was one result of a cost-saving exercise, conducted internally (without consultants) under from pressure from the holding company ZIMCO. Only senior operators and operators are unionised, and their union the NUCIW, so far from objecting to the exercise, provided positive input.

Kafue Textiles Ltd is 56% state-owned. According to the ZPA Status Report dated 30 April 1995, 'minorities invited to negotiate to obtain control of company subject to agreements on valuation, flotation of shares on Lusaka Stock Exchange and other conditionalities.' According to the company these shareholders are a Swiss textile company (22%), CDC (12%) and Barclays Bank Pension Fund (10%) and they intend to exercise pre-emption rights. The company has large outstanding loans from IFC and CDC which have not been serviced for four years. The Swiss company has been guaranteeing payment for inputs. In 1992 the company nearly went into receivership and since then has undertaken drastic restructuring, accompanied by a remarkable change in employee attitudes, notwithstanding reduction in numbers from 1,700 to 900. There was a four-month strike in 1992, but as a mark of the new situation it is notable that union representatives have been undertaking theft-prevention duties. The company has been able to pay a real increase in salaries this year, which will cement good relations. The company's main external problem has been dubiously priced competitive imports, mainly from China, but also Pakistan. The number of products was reduced from 25 to six. Garment production was given up and African prints were intended to be the main line. However even using cheaper, Asian sources of dyes and chemicals it was not possible to compete and African prints have also been given up (in May 1995). Production is now only of certain specialised cloth for export to Europe and USA only. (Materials for protective clothing, canvas shoes, and sunshades.) Advantages include the absence of sales tax and prompt payment. All weaving capacity is in use, but not all spinning. The company would like to safeguard local processing know-how but has been compelled to do away with local sales completely and to close down processing (in June/July 1995).

National Breweries Ltd is 51% owned by the government and 49% by the Hendrichs Syndicate. Privatisation is in progress and the ZPA Status Report dated 30 April 1995 states 'Minorities invited to negotiate to obtain control of company subject to agreements on valuation, flotation of shares on Lusaka Stock Exchange and other conditionalities'. The enquiry team was able to visit the Lusaka brewery, where beer is brewed from maize and various types including 'sheki-sheki' (which has to be shaken well before drinking) are packed in cartons (not bottles) and trucked to wholesalers and retailers. There are about 50 employees, and two-shift working. The brewing process appears relatively simple and the plant was said to be functional and reliable. The packing machinery is relatively new. Pre-printed cartons are imported and supplied to the brewery by the head office. A laboratory checks product quality. The enquiry team formed the impression that attention could well be paid to inventory control (of inputs and finished product), flexible response to demand, and possibly product development, as well as hygiene and safety at work, but more detailed and specialised investigations would be needed to verify these observations. It is not known whether the Lusaka brewery is profitable.

Founded in 1967 as a joint venture between the state holding company INDECO and Kobe Steel of Japan **Nitrogen Chemicals of Zambia Ltd** is an archetype of the large parastatal which has disappointed the hopes of the 1960s and 1970s. The enterprise is the only producer of nitrogen fertiliser, explosives (for the mines) and associated chemicals and used to control imports; it thus had a monopoly in the domestic market. It was forbidden to export. It was sited a long way from the domestic source of its principal feedstock, coal, although close to a plentiful supply of another ingredient, water. Plant rehabilitation was started in the mid 1980s, partly funded by the Japanese and Italian aid programmes, and should have been completed by the end of that decade; five years later, it is almost finished. There are still environmental problems. On the day of the enquiry team's visit the whole plant was at a standstill, and runs at about 25-30% capacity measured over longer periods. NCZ runs at a loss and has huge debts, including about K2 billion owed to the electricity supply corporation, which has tripled its prices. Coal supplies are uncertain and it may turn out to be cheaper to import the ammonia derived from it. NCZ now has to compete with importers (and, it is asserted, improperly distributed donor fertiliser) and has only about 20% of the market. There are some 1170 employees at the plant, down from 1600; a further 300 work all over Zambia in what used to be called the Commercial Division and is now called Sales and Marketing. The management structure, large and traditional, used to be even heavier and is in the process of further change. Only the Indian Finance Director and the two Financial Managers are not Zambian. The management team generally has the right technical qualifications; some have undertaken general management training, and some have benefited from donors' fellowship programmes. In present circumstances very little training is implemented. There is a general sense of insecurity amongst the whole workforce, which does not make it easier to achieve the change of corporate culture needed in the new commercial world.

Polythene Products Zambia Ltd was founded in 1964 by the three Indian families who still control it although non-family shareholding now amounts to some 10%. The Managing Director, Mr Desai, a member of one of the families, is a resident of Zambia but still an Indian citizen. He obtained a Diploma in Industrial Management 18 years ago and has run the company for 15 years. In addition to general management he is responsible for purchasing and sales. The Financial Director, Mr Patel, is a member of one of the other families and qualified as a CPA in the United States. (Most accountants in Zambia have British qualifications as Certified or Chartered Accountants.) There is another Indian as financial controller, and the four production managers (one for each product line) are Indian expatriates. All other employees in a total of 160 are Zambian. Mr Desai would employ Zambian production managers, but the few qualified Zambian engineers prefer to work in mining or major TNCs and are reluctant to commit themselves to practical work in a small plant. Furthermore his Indian expatriates, although more costly, can be fired at a month's notice, whereas it is difficult to fire a Zambia at all. The company makes extruded products only: bags, sheets, woven and knitted bags; it is equipped to produce pipes and electrical conduits but is not at present producing. In the past two years the tariff structure has caused much difficulty. (Finished competitive products from PTA countries pay 4% duty, whereas raw materials, which account for 65% of product cost, paid 20% until January 1995.) Sales in the year to March 1995 amounted to about K1.5 billion, all in the Zambian market. Volume was up about 25% on the previous year but at the cost of sharply reduced margins. Earlier years' profits have permitted investment in some computer-controlled machines.

Premium Oil Industries Ltd manufacture edible oils and fats, soaps, and seedcake for cattle-feed at their single plant in Lusaka. The principal raw materials are soya and sunflower seeds. The company is state-owned but in the process of privatisation. At present it is in a bad competitive position partly because of import duties on chemicals and partly because of the liberalisation of imports of competing consumer products. Plant utilisation is thus lower than it was in earlier years, but is still about 60%. As a consequence the company at present faces a liquidity problem. There are 372 employees, down from 390 last November by virtue of an early retirement programme. The target of 365 will thus be shortly reached. Of last November's 390, 143 (including about 40 women) were in the production department, which operates 24 hours, 7 days. The management structure is traditional, with seven departmental heads reporting to the General Manager. All are Zambian except the Indian Financial Controller. The Marketing Manager, the Quality Assurance Manager (a locally qualified chemist) and the Human Resources Manager are women. The company has had a comprehensive training programme, but this has been suspended for the last eight months for financial reasons, except that the Marketing Manager is to attend an 18-month MBA programme at the Copperbelt University. Most training has been on-the-job, including job rotation for lower grades. Some classroom training for all grades has been bought in.

Sandvik (Zambia) Ltd is wholly owned by its Swedish parent except for one share owned by a Zambian. It makes rock tools for the mines, and imports and sells other Sandvik products. There is virtually no local material content in the manufactured products; 75% (by value) of the material inputs, semi-manufactures, are imported from Sweden, and the remainder from South Africa. The company has about 20% of the market (which largely comprises ZCCM) and competes with an Anglo-American company which manufactures in Zambia and has about 60% of the market, and Atlas-Copco, which imports finished products. The company has no export sales although they are under study. All companies have been suffering from high duties and sales tax on imported materials, and from ZCCM's declining demand. Employees at Sandvik number 30, down from about 50 a year previously; some casual workers are sometimes engaged for steel-cutting and annealing. Three managers report to the Managing Director: the Company Secretary, a resident non-Zambian lady, the rock tool manager, also a resident non-Zambian, and the Zambian Assistant Factory Manager. The rock tool manager's responsibilities include technical sales and advice to customers; his background is almost entirely practical. The Assistant Factory Manager has seven years' training in Bulgaria behind him and is expected to receive further training in South Africa. He has attended a seminar in Ndola on ISO 9000 and the company may work towards this, not least because ZCCM is asking suppliers to do so. The Managing Director is an engineer and since 1991 has overseen most production functions including maintenance.

Steel Company of Zambia Ltd is the holding company of **Galco, Pipeco, Plastico,** and **Steelco Farms. Comark** and **Zambia Aluminium** are associated companies. Steel Company of Zambia and Zambia Aluminium are part of the Chandaria family group, which operates in 35 countries. Mr N.P. Jyothi, an Indian, is Senior General Manager of all companies except Steelco Farms. Galco makes galvanised steel roofing sheets, Pipeco deals in galvanised steel pipes, of which production is suspended, and Plastico makes PVC pipes and compounds. Comark is a trading company dealing in handpumps, steel, motors, etc. Zambia Aluminium makes pots and pans and enamelware and, through its **Copper Alloys Rolling Mill** division (CARM), brass coils and sheets, which are all exported. This division has received assistance from CDC and is working towards ISO 9002, as is one of the other group companies. CARM alone is expected to increase its turnover to US$12m a year whereas the Zambian group as a whole turned over about $10m in 1994. Total employment in the Steelco companies is 200, down from over 270 two years ago, but this figure may rise soon; CARM employs 65, and this will soon increase to 80+. It is group policy to recruit managers, engineers and accountants from India for the African companies. CARM has a vacancy for a Quality Control Manager, difficult to find in Zambia, and is also planning to recruit a mechanical maintenance engineer with experience in hydraulics from India. The group undertakes its own training, and Mr Jyothi regularly lectures to management. Management training outside the company is not thought to be of good quality and is expensive.

TAP Building Products Ltd is a wholly-owned subsidiary of the British group Turner and Newall. There is a local board, of which the Vice-Chairman is Zimbabwean. The part-time Managing Director is British and is also MD of other group companies. The General Manager is Zambian. Products are fibre cement pipes, roofing sheets, cladding and ceiling panels; they contain 10% by volume white (non-lethal) asbestos imported from Zimbabwe. Cement comes from the adjacent Chilanga cement plant (qv). Lost sales are domestic but some exports go to Malawi and some to South Africa, where local production cannot meet current requirements. Not much construction is going on in Zambia and so the total market is lower. There is some competition from alternative products but no other Zambia firm produces similar products. There are 400 employees, down from 60 a year ago, and about 200 regular casual workers. It is planned to expand and re-equip the plant with capital-intensive state-of-the-art machinery and employment will go down to about 300. This is all to be financed from the company's own earnings. No fewer than nine people, of whom five are non-Zambian, report to the GM: management accountant (Indian), Chief Internal Auditor (Indian), Technical Manager (Irish), Chief Engineer (British), Personnel and Training Manager, Systems Manager, Business Development Manager, Purchasing Manager (under training), and Group Marketing Manager (British). Expatriates had previously been fewer. A management training programme is locally drawn up but with advice from a group official based at head office in Manchester, England. (The new incumbent has recently visited the company.) Training comprises on-the-job shopfloor experience for managers, role rotation, and outside courses usually in England, although current conditions have determined that there has been no outside training for two years. Local management training facilities are not considered adequate.

Turning and Metals Ltd belongs to Mwanamuto Investment Ltd, the 16-company group which also owns Copperbelt Steel Manufacturing (qv). The General Manager, Mr K.P. Karanjia, is an Indian engineer (C. Eng., F.Inst. Mech. Eng.) who has lived in Zambia since 1976 and has resident status. The Financial Manager is an expatriate Indian Chartered Accountant and the Technical Manager is an expatriate Indian engineer. The Stores Controller, the Personnel Manager and all other employees in the total of 98 (permanent) are Zambian. (In accordance with demand up to 12 more unskilled workers are hired on a weekly basis; skilled workers if required would be on six-month contracts.) Wages are the subject of negotiation between the union and the holding company, but all other allowances are negotiated by the company through the Works Council. Products include office and school furniture, shelving, nails, agricultural implements, fuel and water tanks, - the routine metal products which all economies need. All production is to order. All steel, representing of 90% product inputs, is imported and, in common with other companies, Turning and Metals suffered badly during the years when finished competitive goods paid less import duty than raw materials. Trailers are no longer produced, partly because long-distance transporters can easily purchase them second-hand in South Africa. Steel as a raw material is now imported duty-free, however, and an overall increase in production is planned for 1995, with turnover budgeted to reach K1 billion.

Vitretex Paints Ltd is wholly owned by the Anglo-German group Lonrho through Lonrho Zambia Ltd. Only one other Lonrho company in Zambia is in manufacturing. There is a local head office which provides computing and some other central services; it also controls Vitretex's activities through quarterly management meetings. The company makes domestic, automotive and industrial paints and its main customers are dealers, contractors and ZCCM. Sales in the year 1993/94 amounted to K1.7 billion. Production by volume in that year was less than half the production in 1990/91. This decline was caused by decreased demand and increased competition mainly from imports. Although there are three competing companies in the Copperbelt and half a dozen small ones in Lusaka these will all have been affected by the disparity between the import duty on raw materials (20%) and that on finished products from COMESA countries (4%). About 80% (by value) of Vitretex's raw materials are imported. Import duties were adjusted in January 1995, but since October 1994 raw materials prices in foreign currency have increased by about 50% and the Kwacha has devalued by about 30%. Employment has been reduced from 134 in 1991 to 120 in 1995. The General Manager, the Finance Manager and the Technical Manager are non-Zambians, while the other two managers reporting to the GM, the Sales Manager and the Administration Manager (who takes care of personnel matters) are Zambian. All the managers are qualified for their respective functions, but have not undergone any substantial general management training. Six people have been following a three-year paint technology course by distance-learning methods (Open Tech), supported by visits by a trainer from South Africa. Lonrho Zambia takes on management trainees who may find themselves in one or other group company after training, and organises other middle management training.

Zambia Bata Shoe Co. Ltd. is 77% owned by the well-known family-owned TNC now based in Toronto, Canada; the remaining 23% of the shares are held by individual and corporate shareholders in Zambia. There is a local board of directors. The Managing Director is appointed by head office. The present incumbent, who is French, took up his post in April 1995; he is an experienced Bata hand who has worked in a number of other countries in Africa and Latin America. Of the six senior managers who report to him, four are expatriate. All are locally appointed. The traditional distribution of responsibilities (Finance, Production, Commercial and Marketing, Maintenance, Purchasing and Supplies, Human Resources) is subject to head office guidelines, which have until recently provided for uniform practice throughout the Bata group. Zambia Bata makes leather and plastic shoes and safety boots, and operates a tannery and 22 retail stores; it also imports some finished products from other Bata companies. Its market share is about 40%, sharply down since 1991 when imports were freely permitted. Turnover in 1994 was K3.4bn, or about US$5m. The total number of employees is 580, of whom about 300 are in production. Most production is organised on a line basis, but the previous MD instituted one production cell on a trial basis. This did not work very well in the new MD's view because the layout was linear and because the cell members lacked incentive, worked seated and did not understand fully what was expected of them. He intends to make changes and try again but is not confident that cellular production works in Africa. (It will be interesting to make further enquiries on this point in, say, a year's time.)

Zambia Railways Ltd, incorporated in 1984 and wholly owned by the state holding company ZIMCO, operates passenger and freight services mainly between Livingstone near the Zimbabwe frontier and Kitwe; it also operates a critical network serving the Copperbelt mining centres, and branch lines to the coal mine at Masuku and to Mulobezi. (The Tanzania-Zambia Railway, TAZARA, is an entirely separate undertaking.) ZR has 1,273 of track, which it is responsible for maintaining, 80 locomotives (all but two diesel-electric), 75 passenger coaches and about 4,980 wagons. About 53 locomotives are available for service, including 15 only two years old, while the rest have been sidelined because of their age and because of lack of traffic. Some of the passenger coaches have been withdrawn for rehabilitation and are replaced by hired South African Railways stock. Of the wagon fleet, about 1229 will be scrapped due to age and 1387 have been sidelined because of lack of traffic, leaving 2364 in regular service. Whereas the passenger coaches do not leave ZR lines the goods wagons may also run on TAZARA or in neighbouring countries and South Africa. Traffic within Zambia and to other countries has declined due to the recession, low agricultural production (because of drought), and the improvement of trunk roads in recent years. In common with many other railway companies ZR considers it unfair that they have to finance their own infrastructure (track and signals) whereas road maintenance is funded by governments, and SADC railways are jointly pressing governments to take over rail infrastructure maintenance. A World Bank study of the commercialisation of ZR, financed by Japan, is in preparation. ZR is listed for privatisation although without a target date.

ZR is organised in three geographical regions with the central workshops as a fourth "region", each with a General Manager. At headquarters the Managing Director is Chief Executive Officer; four directors report to the MD (Human Resources, Finance, Traffic and Marketing, and Technical Services) and supervise functional headquarters managers and through them the regional operating managers.

The workshops have engineers in charge of motive power, rolling stock maintenance, and design and manufacture. Up to 50% of spare parts for rolling stock is manufactured in the workshops, but only 2% for locomotives; further investment in equipment and skills (not necessarily cost effective) would be necessary to increase these proportions. Meanwhile some 20% of workshop capacity is used in jobbing engineering for outside buyers; this work is properly costed and sold at an operating profit (without a contribution to fixed costs). Improved efficiency could lead to an increase in this revenue. (This is exactly the kind of operation for which some Japanese techniques are indicated.) ZR is also earning revenue by collecting and selling huge quantities of scrap metal accumulated over many years throughout the system.

Total employment in ZR is 4,500, down from 8,000 in the period of six weeks from April 1995, a principal result of current restructuring. Workshop numbers are down from 700 to 520. Except for a civil engineer and three people in the finance department all employees are Zambian. While some in-house training for artisans and supervisors is being carried on, financial constraints permit only a limited volume of ZR-financed external training. Advantage is taken of donor-funded training opportunities, and of regional programmes such as those offered by the Union of African Railways and SADC. (A SADC management programme is at present running in Zimbabwe, facilitated by German consultants.)

PERSONS CONSULTED

REPRESENTATIONS AND AGENCIES

Embassy of Japan

H.E. Mr Tadashi Masui	Ambassador
Mr Hisatoshi Shimada	Second Secretary
Mr Tatsuro Koga	Second Secretary
Ms Kaori Ishii	Second Secretary

Royal Netherlands Embassy

Mr Hans J.J. Teunissen	Counsellor

British High Commission

Mr Steve Codd	Attaché (Development)

United Nations Development Programme

Mr Franco Becchi	Deputy Resident Representative

International Labour Organisation

Mrs H.M. Albastros	Programme Officer

International Executive Service Corps

Mrs Mary Kathryn Cope	Director of Operations

JICA Zambia Office

Mr Sasaki Katsushiro	Deputy Resident Representative

United States Agency for International Development

Mr Wilbur Jones	Project Implementation Officer, Human Resources Development Project

GOVERNMENT OF ZAMBIA

Ministry of Commerce, Trade and Industry

Mr F.M. Siame	Permanent Secretary
Mr S.C. Kopulande	Director of Industry
Mr D.M. Mauzu	Deputy Director, Department of Industry
Mrs A. Mutambo	Senior Economist, Department of Industry
Dr Manfred Matzdorf	GTZ Advisory Services
Mr Kay Kafka	GTZ Advisory Services
Mr H. Farnhammer	GTZ Advisory Services

Investment Centre

Dr P.K. Nkanza	Director, Project Development and Planning

Export Board of Zambia

Mr M.J. Musonda — Acting Director

Export Development Programme

Mr John Paton — Programme Coordinator

Ministry of Labour and Social Security

Mr Ronex R. Mtonga — Director, Productivity Development
Mr J.M. Kalikeka — Senior Research Officer
Mr P. Simpukwe — Statistics Officer

Ministry of Science, Technology and Vocational Training

Mr Niels Lauridsen — Programme Coordinator, Skill Training

Central Statistical Office

Mr F.S. Mkandawire — Senior Statistician

Zambia Privatisation Agency

Mr Valentine Chitalu — Chief Executive

INTERMEDIATE ORGANISATIONS

National Union of Commercial and Industrial Employees

Mr B.K. Chota — Deputy General Secretary

Zambia Association of Chambers of Commerce and Industry

Mr Theo Bull — Acting Executive Director
Mr A. Mwila — Accountant

Kitwe Chamber of Commerce and Industry

Mr B.D. Chiweza — Vice-President

Ndola and District Chamber of Commerce and Industry

Mr Howard Gatchell — Chairman
General Manager, Vitretex Paints Ltd

Members of the Committee of the Ndola and District Chamber of Commerce and Industry:

Mr M.G. Purslow
Chief Executive, Monterey Printing and Packaging Ltd
Mr R.M. May
Managing Director, Dunlop (Z) Limited
Ms Joan Craven
Executive Director, Mahtani Group of Companies
Mr Derek J.D. Broome
Consultant, Mahtani Group of Companies
Mr Gabriel Chibuye
Partner, Deloitte and Touche
Mr E.G. Rice
Chief Accountant, Nayhir Computers and Swarp Ltd
Mr Stig P. Svensson
Managing Director, Sandvik (Zambia) Ltd

Zambia Association of Manufacturers

Mr S.M. O'Donnell	Vice-Chairman

Zambia Congress of Trade Unions

Mr Austin C. Muneku	Research Economist

The Zambia Federation of Employers

Mr Mukubesa Sanyambe	Executive Director
Mr Sibajene A. Sibeenzu	Personnel and Labour Relations Manager

EDUCATION AND TRAINING

The Copperbelt University, Institute of Consultancy, Applied Research and Extension Studies

Dr Herrick C. Mpuku	Director
Mr Ivan Zyuulu	Head, Business Research Group

Evelyn Hone College of Applied Arts and Commerce

Mr E.A.Y. Mwambazi	Acting Principal
Mr J.M. Goma	Vice-Principal
Mr Marcel Grogan	Head of Department of Business Studies
Mr Frank Kelly	Head of Production Management Section

Management Services Board

Mr A.W. Saka	Director

Mindolo Ecumenical Foundation

Rev. Canon Clement Janda	Director
Mr Zachariah Simfukwe	Head of Administration
Ms Catherine Mudime Akale	Coordinator, Womens' Training Programme
Mr M.A. Sichali	Coordinator, Industry and Commerce

Zambia Consolidated Copper Mines Ltd

Professor Muyunda Mwanalushi	Manager, Education Services

Zambia Institute of Management

Mr Zoonadi J. Ngwenya	Director
Mr R. Kabeli	Head of Research and Consultancy

Zambia Insurance Business College Trust

Ms Hazel J. Milambo	Director

INDUSTRY AND COMMERCE

Alf Fashions Ltd., Kitwe

Mr B.D. Chiweza	Manager (Group General Manager, Engineering Service Installations Ltd., Kitwe)

Chilanga Cement PLC, Chilanga

Mr Patrick R. Gorman	General Manager

Chloride Zambia Ltd., Kitwe

Mr James M. Zulu	Works Manager
Mr Eric Higgins	Commercial Manager
Ms Rose Kasumpa	Personnel Manager

Copper Alloys Rolling Mill, Zambia Aluminium Ltd., Lusaka

Mr R.P. Singhal	Senior Operations Manager

Copperbelt Steel Manufacturing Co. Ltd., Kitwe

Mr P.C. Pal	General Manager
Mr S.K. Nandi Pramanik	Works Manager

Dairy Produce Board, Lusaka

Mr E.J.R. Banda	Human Resources and Administration Manager

Dunlop (Z) Limited, Ndola

Mr R.M. May	Managing Director
Mr J.E. Feasey	Works Director
Mr Mwalla Mwalla	Personnel Director

Kabwe Industrial Fabrics

Mr Peter Munthali	General Manager
Ms Margaret Zulu Simuchimba	Human Resources Manager

Kafue Textiles of Zambia, Kafue

Mr Jean Paul Bondaz	General Manager/Chief Executive
Mr Alex Nondo Chikwese	Manager, Corporate Planning
Mr R. Mambwe	Personnel Manager
Ms C.B. Hamoonga	Senior Training Officer

Lonrho Zambia Ltd, Lusaka

Mr E.N. Molver	Group General Manager

Mwanamuto Investments Ltd

Mrs M.N. Kabwiku	Group Personnel/Administration Manager

National Breweries Ltd

Mr M.D. Sibanda	Brewing Supervisor, Lusaka

Nissho Iwai Corporation

Mr Yasunori Nakamura	General Manager, Lusaka Liaison Office

Nitrogen Chemicals of Zambia Ltd., Kafue

Mr A.S.S. Kafuta	Controller of Personnel Services
Mr F.B. Chola	Manager Human Resources
Mr W. Sinkamba	Production Manager
Mr J.B. Malowa	Laboratory Manager
Mr Nawa Mutumweno	Public Relations Officer

Polythene Products Zambia Ltd., Lusaka

Mr M.H. Desai	Director

Premium Oil Industries Ltd., Lusaka

Ms L.K. Mwila	Human Resources Manager
Mr Edward Phiri	Senior Personnel Officer

Price Waterhouse, Lusaka

Mr Jack S. Ward

Sandvik (Zambia) Ltd., Ndola

Mr Stig P. Svensson	Managing Director

Steel Company of Zambia Ltd, Lusaka

Mr Ashok Garg	Group Director
Mr N.P Jyothi	General Manager, operating companies

TAP Building Products Ltd., Chilanga

Mr M.T.B. Muyobela	Director and General Manager

Turning and Metals Ltd., Lusaka

Mr K.P. Karanjia	General Manager

Vitretex Paints Ltd., Ndola

Mr Suresh Datta	Technical Manager

Zambia Bata Shoe Co. Ltd., Lusaka

Mr Jean-Louis Antz	Managing Director
Mr Mbula	Human Resources Manager

Zambia Railways Limited

Mr Ingwa H. Sichula	Director Technical Services
Mr Henry Phiri	Workshop Engineer i/c Rolling Stock Maintenance
Mr Anthony Maluti	Workshop Engineer i/c Design and Manufacture
Mr Elijah Lungu	Engineer i/c Motive Power

Documentation

Government papers

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Ministry of Commerce, Trade and Industry, **Company Directory and Products**, (Draft computer print-out, November 1994)

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Organisations

Zambia Association of Chambers of Commerce and Industry, **Profit - Zambia's Business Magazine**, Issues 3/7 (January 1995), 3/8 (February 1995), 3/10 (April 1995) and 3/11 (May 1995)

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Industry

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANISATION

Project Document

Number: **Country: Zambia**

TITLE: SUPPORT TO THE INTRODUCTION OF JAPANESE INDUSTRIAL MANAGEMENT TECHNIQUES IN ZAMBIA

Total UNIDO budget (incl. support costs): US$316,400

Estimated starting date: 10/95 **Planned duration:** 6 months

Project site: Zambia and Japan, with study tours in Malaysia and India

Government Implementing Agency:

Host Government/Agency:

BRIEF DESCRIPTION:

Following an enquiry into industrial management and management training in Zambia and the positive reception given to one-day seminars on Japanese management style and techniques held in Zambia in June 1995, this project will extend and deepen Zambian management trainers' knowledge and experience of the style and techniques so that they can be assessed, adapted and disseminated in Zambia.

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Project Document Transmittal Sheet

Number: **Country: Zambia**

Title: **Support to the Introduction of Japanese Industrial Management Techniques in Zambia**

Total UNIDO budget
(incl. support costs): US$316,400

Official Government request: Date:

Endorsement by the UNDP
Resident Representative: Date:

Backstopping section/branch: (PE code:____)

Submitted through: ____________ Date:

Submitted by: ____________ Date:

in cooperation with: ____________ Date:

Cleared by: ____________ Date:

PART A: CONTEXT

1. Manufacturing Industry in Zambia, which contributes about a quarter of GDP, has been facing serious difficulties mostly in the form of increased competition both in the domestic market and in such export markets as it has penetrated. Competition has been intensified by the abolition of import controls and price controls, by the world recession, and by the increasing availability of high-quality, low-cost consumer products imported from Asia. Average purchasing power in Zambia has itself been contracting. The position was exacerbated for two years by an unfavourable tariff regime, now to a large extent corrected. The value of manufactures accordingly fell by over 12% in 1994, after a fall of over 5% in 1993.

A privatisation programme is in progress in Zambia; it is the intention that the state will divest itself of all its holdings in industrial, agricultural and commercial enterprises, or in some cases liquidate the enterprises. Privatisation is preceded by commercialisation, which entails financial and operational autonomy. The process of commercialisation and the uncertainty which precedes privatisation impose great strain on all employees, not least on the senior managers who have to adapt themselves and their workforces to wholly unfamiliar responsibilities and methods of operation.

In some cases state shareholdings, at least sufficient to give control, are being bought by foreign enterprises who already have minority holdings probably dating from before nationalisation and carrying pre-emption rights. This foreign direct investment, which is being actively sought by the Zambia Privatization Agency, will be added to the considerable number of private sector enterprises which are in foreign ownership. Foreign ownership usually entails an element of non-Zambian management.

For historical reasons the prevailing management style is "western", or more precisely Anglo-Saxon, originating as it does from the strong British presence and from the British-influenced South African and Indian presence. Rightly or wrongly there is a general view that Zambian workers do not produce high-quality work unless under close and continuous supervision, find it particularly awkward to supervise each other, feel no loyalty to the organisations which employ them, and do not appreciate the property rights of enterprises. This is of course a highly compressed caricature of varied and complex attitudes, but it serves to illuminate the unquestionable gulf between the attitudes and consequent practices in Zambian firms and those in Japanese firms or firms elsewhere (not least in the United Kingdom itself, putative origin of Zambian management and its ills) which have learnt, or are learning, to adopt a diametrically opposite view of their employees, trusting them (above all), developing their knowledge and skills, and learning from their experience.

Only one, almost accidental, example of Japanese management style is known to have been adopted in Zambia. (This arose when a Japanese consultant came to check the quality of a product being supplied under a Japanese aid project, and is said to have started work by having informal talks with production workers.)

Although there is a Production Management course at the University of Zambia and a short TQM course if offered by one management training institution there is effectively no coherent knowledge or experience of Japanese management style and techniques available in the rather few training institutions in the country. These institutions, it should be added, are themselves struggling with the pressures of the open market, and have not yet collectively created a good reputation for themselves amongst senior industrial managers. To the extent that they offer consultancy services they are in competition with the major international firms which have a presence in Zambia.

2. National objectives and strategies. The principal objective of the present government, elected in 1991 after 27 years of one-party, socialist rule, is to create a market economy in a society which is to rely largely on its own endeavours, the government itself remaining responsible for internal and external security and certain social provisions, and for the creation and maintenance of an enabling environment for social and economic development. Deregulation and privatisation, as mentioned above, are the principal means for achieving this objective. Immediate economic objectives include stabilisation of the internal and external value of the currency and qualification for the IMF Enhanced Structural Adjustment Facility; to this end it is the intention to keep public expenditure under rigorous control, but this policy has been blown off course in 1995 by the failure of a major bank and by various unbudgeted increases in expenditure. More effective revenue collection has contributed to an improvement in the public finances.

In regard to industry the government's draft industrial policy is under consideration by the cabinet. Meanwhile government support is rendered through the Investment Centre and the Export Board, both of which are organs of the Ministry of Commerce, Trade and Industry (MCTI). It is also the government's intention to improve the statistical and information base, both at the MCTI and at the Central Statistical Office, for the benefit of investors and other decision-makers. At the Ministry of Labour and Social Security an embryo Productivity Unit awaits policy decisions and resources; otherwise the government's attitude to industrial management is non-interventionist, and in any case it lacks human and financial resources for a more active stance.

3. Parallel activities. The main privatisation programme is supported by a major technical assistance programme entitled 'Private Sector Development'. It is divided into six components all of which reinforce the institutional framework within which industry and commerce operate. The MCTI, the Export Board, the Investment Centre and the statistical services previously mentioned are all supported under this programme, as is the Zambia Privatisation Agency. In addition the Zambia Association of Chambers of Commerce and Industry (ZACCI) is receiving material and technical assistance, but management training organisations do not feature in the programme. The programme is supported by a number of international and bilateral donors. Amongst these the German aid programme is offering management support as part of a three-country project (also operating in Malaŵi and Zimbabwe). A three-year British project of technical assistance to a management training institution, not part of the Private Sector Development programme, comes to an end later in 1995. Japanese assistance to industry has comprised direct provision of investment funds to the government which are lent on to selected enterprises at low cost. This form of assistance has been repeated several times in Zambia but on the most recent occasion the government, for no known reason, found much difficulty in implementing the allocations promptly. (It may reflect the still uncertain development of relationships between government and the private sector, in which ZACCI will be expected to play an increasingly responsible role.)

There are a number of projects for support to small and medium-sized enterprises. General management in larger, formal-sector enterprises has not so far attracted attention except to the extent that the German programme mentioned above will address the needs of such enterprises. No concerted assistance is in progress or foreseen for management development and training institutions.

4. Institutional framework. UNIDO's formal counterpart is the Ministry of Commerce, Trade and Industry, in particular the Department of Industry. The MCTI may wish to invite the participation of the Ministry of Labour and Social Security through this ministry's Productivity Unit.

Operationally the principal institutions involved in this project will probably be two management training institutions and the two universities.

PART B: PROJECT JUSTIFICATION

1. Present situation. As outlined above Zambian manufacturing industry makes a substantial contribution to GDP but is facing serious challenges to its very existence. Zambia itself is a severely indebted low-income country. The future of industry will depend on its ability to supply high-quality products designed to meet customers' specified needs, on time and at competitive prices. Experience in other countries show that the adoption of Japanese management style and techniques is often an important step towards achieving or restoring competitive advantage. However in Zambia there is virtually no knowledge or experience of Japanese management style and techniques.

2. Expected end-of-project situation. At the end of this project Zambia will have a small body of resident knowledge and experience of Japanese management style and techniques. Although full intellectual and operational autonomy is unlikely to be achieved in the short period foreseen, local points of reference and sources of information and advice for industry will have been created. This Zambian capacity will also constitute the counterpart for longer-term assistance if this is desired.

3. Target beneficiaries. The immediate beneficiaries will be professional staff of management training institutions and universities; government officials with professional interest and expertise in industrial management; and industrial managers prepared to take advice and adopt new practices on a pilot basis through this project. The total number will be about 12.

4. Project strategy and institutional arrangements. It is intended to build on the interest generated by the three seminars on Japanese management style and techniques held in Zambia in June 1995 and to reinforce it not least by providing opportunities for beneficiaries to see with their own eyes, to see, that is, manufacturing enterprises in operation in Japan and other Asian countries, as well as enterprises in neighbouring Zimbabwe which have adopted Japanese production systems. These study visits will be complemented by directed literature reviews and by a programme of formal and informal instructional sessions. Management trainers will, initially under supervision, advise on the introduction of appropriate Japanese techniques in a small number of Zambian enterprises which wish to take part in the project.

It is foreseen that the lead operational role will be taken by a project manager who is a staff member of a university or management training institution.

5. Reasons for assistance from UNIDO. The professional content of this project falls squarely within UNIDO's mandate to support manufacturing industry in developing countries, and Zambian industry is in particular need of support in the present circumstances of transition. UNIDO's current activities in Zambia, which are prominent and well-respected, together with the experience of the immediately preceding project, form an excellent platform and this project can be initiated through UNIDO with every confidence that it will be well received.

6. Special considerations. It is considered particularly important for the previous project, which generated much apparent interest in Japanese management, to be followed up while this interest is still fresh. Furthermore Zambian manufacturing industry is in general terms in so grave a crisis that measures of assistance of any kind should be taken without any delay at all.

7. Coordination arrangements. Coordination with the German project mentioned under 'Parallel activities' in Part A will be facilitated by the presence of the German project coordinator in the MCTI. Appropriate coordination with this and other technical cooperation projects, and with any local activities undertaken by the government or other organisations, will be the responsibility of the project manager. It will be particularly important to consult ZACCI, the Zambia Employers' Federation, the Zambia Association of Manufacturers, and appropriate

workers' organisations and to keep them fully informed of project activities and progress.

8. Counterpart support capacity. A number of potential beneficiaries of high quality were identified during the previous project and expressed interest in participation. An effective and enthusiastic project manager will be found amongst them. It is expected that the project will be sufficiently attractive, interesting, important and short for interest and participation to be fully maintained throughout the duration of the project, but the risk of defections will always be present.

PART C: DEVELOPMENT OBJECTIVE

Reinforcement of the competitive position of manufacturing industry in Zambia

PART D: IMMEDIATE OBJECTIVE, OUTPUTS AND ACTIVITIES

1. Immediate objective

A sustainable nucleus of knowledge and experience, principally within Zambian institutions offering general and production management training, of Japanese industrial management style and techniques together with the capacity to disseminate them.

2. Outputs

2.1 Approximately twelve persons (Zambian or resident in Zambia) in senior positions in universities or training institutions, government departments and manufacturing industry, familiar with the fundamentals of Japanese management style and techniques and able to disseminate them.

2.2 An information base in Zambia in the form of books, periodicals, directories, and electronic access to other information bases.

2.3 A sample supply of presentational and training material.

3. Activities

3.1 Initial programme for Project Manager:

- Course at AOTS, Japan, and study visits in Japan
- Study visits in Malaysia, accompanied by Indian consultant, in preparation for group study tour
- Study visits in/near Bombay, India, accompanied by Indian consultant
- Discussions in India with the consultant on the design and content of the main programme in Zambia
- Study visits in Zimbabwe in preparation for group study tour

(5 weeks)

3.2 Project preparation by Project Manager:

- Recruitment and selection of participants from universities and management training institutions
- Nomination of government officials with appropriate professional experience and interests
- Identification of manufacturing enterprises in or near Lusaka and on the Copperbelt willing to introduce Japanese management practices on a 'pilot' basis under the guidance of project participants, and possible nomination of enterprise managers who can be detached to

participate full-time in the project activities
- Information meetings with employers' and workers' organisations
- Preparation of detailed work plan

(4 weeks)

3.3 Activities to be programmed by the Project Manager to include:

- Group study tour to Japan to attend a course at AOTS and to visit Japanese enterprises, followed by study tour in Malaysia and India
- Group study tour to Zimbabwe
- Programme of formal instruction conducted by an international specialist covering (1) Japanese industrial management, (2) training, consultancy and other means of dissemination
- 'Pilot' consultancy and training services, conducted by Zambian participants, initially under supervision, in agreed enterprises
- Design of training programmes to be offered after the project is concluded
- Selection and purchase of off-the-shelf training material and preparation of institutions' own material
- Selection and purchase of reference material, subscription to periodicals and electronic information services

(17 weeks)

PART E: INPUTS

National

Project manager (seven months)
Secretarial assistance
Participants
Office and office equipment
Training location
Training equipment
Telecommunications
Internet access point
Recurrent costs
Recurrent subscriptions

UNIDO

1 x international technical adviser for 4 months (intermittent)
Study tour organisation
Study tour costs: international travel, internal travel, DSA, insurance, tuition/consultancy fees
Books and other material (non-recurrent)
Non-recurrent local costs including transport
Agency fee

Budget

(to be compiled from components below)

PART F: RISKS

1. Dispersion of participants to other occupations during or soon after project completion

2. Despite the interest and enthusiasm shown at the one-day seminars held in Zambia in June 1995, real demand for and commitment to the introduction of Japanese management style and techniques by Zambian manufacturing industry has not yet been determined by a market survey.

3. Management training within Zambia does not enjoy a high reputation amongst industrial managers and the extent to which by virtue of this project this lack of confidence can be overcome remains to be assessed.

4. The outputs of this project will be available to enterprises in non-Zambian ownership, or to non-Zambian managers. There is thus a risk that to some, perhaps large, extent the final benefit from project inputs will not accrue to Zambian industry.

[PART G: PRIOR OBLIGATIONS AND PRE-REQUISITES]

Budget components:

International technical adviser			$
Fee $6,000 per month for 4 months			24,000
DSA:	Lusaka $133 x 45 days x 2	11,970	
	Kuala Lumpur $140 x 14 days	1,960	
	Harare $128 x 7 days	896	14,826
Travel:	Bombay-Lusaka return $1,750 x 2	3,500	
	Bombay-Kuala Lumpur return $1,250 x 2	2,500	6,000
National project manager			
Training costs at AOTS, Tokyo (Instruction, internal travel and DSA)			10,000
DSA:	Kuala Lumpur $140 x 14 days	1,960	
	Bombay $143 x 14 days	2,002	
	Harare $128 x 14 days	1,792	
	Zambia (not Lusaka) $102 x 14 d.	1,428	7,182
Travel:	Lusaka-Tokyo return	5,200	
	Lusaka-Kuala Lumpur return	3,850	
	Lusaka-Harare return	300	9,350

Group participants (11 persons)		
Training costs at AOTS, Tokyo (Instruction, internal travel and DSA)		105,800
DSA per person:		
Kuala Lumpur $140 x 7 days	980	
Bombay $143 x 7 days	1,001	
Harare $128 x 7 days	896	
Zambia $102 x 7 days	714	
TOTAL per person	3,591	
TOTAL for 11 persons		39,501
Travel: Lusaka-Tokyo return	4,350 x 11	47,850
Lusaka-Harare (road)		1,500
Travel insurance		
12 persons x $100		1,200
Travel within Zambia		5,000
Books and other material		5,000
Miscellaneous		2,791
SUB-TOTAL		**280,000**
Agency support costs (13%)		**36,400**
TOTAL		**316,400**

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