



# Exploring value-addition initiatives among small-to-medium enterprises in the leather sector in emerging economies



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**Orientation:** Value addition has become increasingly important as a springboard to the growth of manufacturing enterprises in emerging economies. Despite the importance attached to value addition, small-to-medium enterprises (SMEs) in Zimbabwe's leather sector have minimally participated in value-added leather products.

**Research purpose:** This study aimed at understanding the value addition initiatives among the SMEs in the leather sector, challenges as well as ascertaining how internal and external factors impact value addition.

**Motivation for the study:** Small-to-medium enterprises in the leather sector participate minimally in value addition while large corporations largely depend on it as a springboard to growth.

**Research design, approach and method:** This study adopted a qualitative approach to collect data using interviews with 15 purposively selected owners or managers drawn from the three leather clusters (hides and skins, leather products and finished leather products) in Zimbabwe's two major cities Harare and Bulawayo. Content analysis was applied to analyse interview data and the emergent themes are reported as findings.

**Main findings:** Transportation, preservation and storage of raw hides and skins emerged as the major value-addition initiatives among the majority of SMEs while a handful of them produce value-added leather products. Value-addition challenges included limited value-addition knowledge, high cost of leather machinery and a lack of government support while both internal and external factors are stifling value-addition initiatives.

**Practical/managerial implications:** Increased participation in value addition will create multiple jobs for the SMEs in the leather sector in Zimbabwe and allow them to address the socio-economic dimensions.

**Contribution/value-add:** The originality of the research topic, research objectives, methodology employed as well as the research findings have the potential to fill the lacuna already identified in value-addition literature.

**Keywords:** value addition; value-addition initiatives; leather sector; SMEs; emerging economies.

## Introduction

Value addition is important, particularly in emerging economies where countries are challenged in addressing the socio-economic dimensions of revenue generation, job creation and poverty alleviation. In a study by Kumar (2016) value addition is vital in the leather sector as it can create multiple jobs throughout its long value chain stretching from animal husbandry to the production of finished leather products. Zimbabwe like other emerging economies needs value addition, particularly in its leather sector, which is currently dominated by small-to-medium enterprises (SMEs) mainly in the primary leather business (Leather Sector Strategy Report 2012). The leather sector in Zimbabwe, similar to other African economies such as Ethiopia and Kenya occupies a central position in the economy as it has the potential to make a substantial contribution to the gross domestic product, job creation as well as in export earnings. As can be seen from the work of Mwinyihija (2016) as well as that of Kumar (2016), leather value-addition initiatives such as transportation of hides and skins from the livestock farmers, hides and skins preservation, tanning, production of finished leather products and branding among other strategies have a huge impact on employment creation among the value chain players. While it is already known that the leather industry is quite diverse consisting of crocodile leather, ostrich leather and bovine leather among others (Pittaway 2013), the present study focused on

the bovine leather where participation in value-addition initiatives by SMEs in Africa was pitted as unsustainable (Mwinyihija 2016). Regardless of the leather type, value addition is important if the value chain actors are to address the socio-economic dimensions that include revenue generation, job creation and poverty alleviation (Adem 2019; Assefa & Kuma 2016; Hatice 2021).

The bovine leather in Zimbabwe has potential for growth with the national herd of cattle being estimated at 5 509 983, approximately 4 259 176 goats and 710 226 sheep (Crop & Livestock Assessment Report 2021). Zimbabwe's bovine leather sector can be best described as bimodal consisting of giant firms and SMEs. Whereas the leather SMEs in the developed and newly industrialised countries are active participants in value addition, the situation is different in emerging economies such as Zimbabwe. While evidence from ostrich and crocodile farming shows considerable value-addition activities (slaughtering in modern mechanised abattoirs, tanning and manufacture of finished goods) by SMEs in Zimbabwe, their participation in value-added initiatives (beamhouse operations, tanning, post-tanning as well as finishing) in the bovine leather sector remains minimal (Ngwenya 2019). Before the year 2002, the bovine leather sector was dominated by giant firms in leather manufacturing and footwear that included Bata Shoe Company, G and D in Bulawayo, Superior Footwear in Harare and Millennium Footwear among others. In the period before 2002, there was only one agent S.M. Lurie licensed to collect hides and skins from the livestock farmers for sale in both the domestic and export markets. As indicated in the Zimbabwe Leather Sector Strategy (2012), before the dawn of the millennium, the country had 21 tanneries and the leather sector was well known for quality leather throughout the Common Market for Eastern and Southern Africa (COMESA) region. While manufacturing enterprises are expected to participate fully in value-added leather products, SMEs in the bovine leather sector in Zimbabwe are largely involved in leather in its primary form with hides and skins production, storage, preservation and transportation being the major activities.

Value addition is arguably capable of creating jobs among other socio-economic dimensions. Job creation is critically vital in emerging economies such as Zimbabwe where the unemployment rate has soared above 90% (Zimbabwe National Budget Statement 2021). As indicated by Kumar (2016), the leather industry with its long value chain stretching from livestock production, slaughtering, hides and skins collection, to manufacturing of finished leather products is important particularly within an emerging economy given its ability to create multiple jobs. For instance, in 2002, Zimbabwe's leather sector was able to provide approximately 12 000 jobs; however, by 2017 the sector could only provide fewer than 5 100 jobs, thus indicating a significant collapse of the sector (Zimbabwe Leather Sector Strategy Report 2012). Through leather value-adding activities such as transportation of hides and skins, preservation of hides and skins, tanning, manufacturing of finished products, branding and marketing

activities multiple jobs are created (Assefa & Kuma 2016; Mwinyihija 2016). Furthermore, value addition in leather is important given that the industry is employment-intensive as well as its capacity to create jobs for women as they predominantly feature in the value-added functions such as stitching (Assefa & Kuma 2016). In Zimbabwe, like the rest of the world, women constitute a high statistic of unfair treatment, limited access to competitive jobs, education and are often discriminated against in economic activities (United Nations Human Rights 2014). The call for value addition was also made by the SADC Industrial Development Implementation Manual (2013), where Zimbabwe was ranked number 15 out of the 16 Southern African Development Community (SADC) value-addition league, thus creating a need for policymakers to invest in value-addition initiatives. A focus on value-addition initiatives in Zimbabwe has the potential to create multiple jobs for the value chain actors while simultaneously making the leather sector more competitive through increased quality leather products as well as increased revenue generation. In fact, Ngore et al. (2011) hinted that through the adoption of value-addition initiatives producers will be on track to generate increased revenue and profitability. Small-to-medium enterprises in the bovine leather sector in Zimbabwe like those in the SADC have not yet fully embraced the value-addition concept in the same way the large corporations have done.

Based on the literature evaluated, there is no evidence regarding studies that have covered the extent of participation of SMEs in value-added products, particularly from the context of developing countries in Africa. For instance, Mokhothu-Ogolla and Wanjau (2013) examined the challenges affecting value addition in the leather sector in Kenya; Mwinyihija (2016) focused on creation of regional value chains in Africa's leather industries; Adem (2019) explored the marketing opportunities and constraints in hide and skin production while Yorgancioglu, Basaran and Sanckli (2020) assessed value addition in leather industry wastes and by-products. Thus, the present study involving value-addition initiatives among the SMEs in Zimbabwe will fill a lacuna to the value-addition discourse particularly among the manufacturing sector of the SADC states where value addition was observed to be minimal (SADC Industrial Development Implementation Manual 2013).

This study focused on answering three major questions, namely: (1) What is the extent of value addition among SMEs in the leather value chain? (2) What are the challenges affecting SMEs on their value-addition initiatives? (3) To what extent are the business environmental factors affecting value-addition initiatives?

## Review of related literature

### Conceptualisation of value addition

Recently, value addition has attracted the expanded interest of researchers as they seek to empower farmers or producers to get the most value out of their products.

As seen in Table 1, value addition involves the transformation or conversion of a product from the primary form to a state that is more enhanced and valuable from both the producer and customer perspectives (Amamor-boadu 2003; Ntale et al. 2015; Oyewole & Eforuoku 2019; Saha & Basak 2019; Sarku & Appiah 2017). While value addition takes various forms depending on the product to be value-added, in this study focus is leather value addition covering pre-tanning, tanning and post-tanning activities. In this study, the authors have joined previous scholars in defining value addition as the deliberate innovative activity that transforms a product from its primary form to a modified state, which is of economic value to both the producers and the consumers.

## Value-added initiatives

Defining value-added initiatives has never been easy even the early scholars of the concept were quick to admit this (Coltrain, Barton & Boland 2000). While value-addition initiatives vary depending on the nature of the product subject to modification or conversion, Coltrain et al. (2000) indicated innovation and coordination as the fundamental dimensions. The views of the cited authors are that for value-added initiatives to take place, producers ought to demonstrate innovative capabilities by introducing new products, new processes, new procedures and even opening up new markets for such modified products. On the other hand, coordination is an important dimension of value addition because different functions within the value chain system have to be harmonised towards achieving the common purpose. Coordination of activities throughout the value chain system is vital and its absence was seen to result in the bullwhip effect (fluctuations in the orders) (Chopra & Meindl 2004).

Coltrain et al. (2000) identified six dimensions in which innovation and coordination occur in their quest to achieve value-added initiatives. Such dimensions include time, location, products or services, process or methods, incentives and information. For instance, time allows speed in the conversion of a product to a modified state and speed of delivery of the modified product to the downstream supply chain partners. Similarly, time is a critical dimension in the coordination of functions throughout the supply chain cycle. For instance, coordination of production and delivery of a modified product to the destination markets can be facilitated through the just-in-time system. In this study, the authors

argue that innovation and coordination are critical elements of the value-added initiatives where innovative leather products and finished leather products among SMEs should be produced to remain competitive in both the export and the domestic markets. Moreover, SMEs are expected to develop new processes in the procurement of hides and skins, improved tanning methods as well as coordination of functions regarding value-added products throughout the leather value chain. The meaning for value addition has always been regarded as a chameleon as it varies greatly depending on the nature of the product being value-added. For instance, palm oil value addition differs sharply from value addition in leather (Ofosu-Budu & Sarpong, 2013). From the context of leather, value-addition activities involve beamhouse operations, tanning, post-tanning and finishing processes (Adem 2019; Fereja et al. 2017; Mwinyihija 2018). Other value-added initiatives involved in leather include sammying, promotion and packaging among others (Adem 2019; Mahmud 2000; Mwinyihija 2018). As given by Coltrain et al. (2000), performing value-addition initiatives (beamhouse operations, tanning, post-tanning and finishing processes, sammying, packaging, branding etc.) requires innovativeness and coordination among other dimensions in order for value addition to take place; otherwise, these will be mere activities or processes that will not culminate in value creation. Thus, in this study, it remains our argument that value-addition initiatives are necessary for enhancing the economic value of the leather product thereby making customers willing to pay for more than they can do when buying a non-value-added leather product (Kotler & Keller 2017). In this study, it is argued that participation in value addition by an enterprise is a function of resources as well as the organisational culture of the firm.

## Leather sector challenges

Leather processing being the major activity of the leather value chain is fraught with challenges including pollution and effluent management. As indicated in the study by Gupta, Gupta and Tamra (2007), leather processing involves liquid effluent containing organic matter, chromium, sulphide and solid waste (fleshing, wet blue splits, trimmings and shavings and buffing dust among others) present challenges to environmental management, particularly among the SMEs. As was observed by Arvis et al. (2018), pollution and effluent management in leather processing are even worse for SMEs in developing countries as they are

**TABLE 1:** Featuring definitions for value addition.

Author(s) and year	Definition
Sarku and Appiah (2017)	Any activity carried out by the farmer or processor that transforms a product a step closer to the form desired by a customer who is ready to pay extra income for undertaking such activities
Amanor-Boadu (2003)	A business activity where specified members of a supply chain are rewarded for undertaking activities that are previously performed by industries downstream or for accomplishing an activity that is deemed valuable but has been overlooked by producers
Saha and Basak (2019)	Processing, extraction, hydrolysis, pyrolysis and fermentation of medicinal and aromatic plants through the distillation process to get a product of enhanced value
Oyewole and Eforuoku (2019)	Converting a product from its raw state to a more valuable form through the creation of value and innovation
Ntale, Anampiu and Gathaya (2015)	Transforming a product into an enhanced state through activities such as storage, packaging, processing and drying or any other type of process that differentiates the product from its primary state

Note: Please see the full reference list of the article, Chokera F. & Mutambara E., 2023, 'Exploring value-addition initiatives among small-to-medium enterprises in the leather sector in emerging economies', *Acta Commercii* 23(1), a1000. <https://doi.org/10.4102/ac.v23i1.1000>, for more information.

traditionally known to be resource-challenged. In addition to the challenge of pollution and effluent management, the leather sector in Zimbabwe is fraught with challenges that include poorly equipped trucks for transportation of hides and skins, lack of modern storage facilities, outdated leather machinery in tanning processes, lack of skilled manpower, limited value-addition knowledge, inadequate funding from both the government and donor agencies and non-compliance with the leather processing standards (COMESA, Report 2014). In fact, the use of poorly equipped vehicles in collecting raw hides and skins from the livestock farmers, poor storage and preservation methods, shortage of modern tanneries, as well as the shortage of modern machinery for manufacturing finished leather products weigh down the ultimate goal of high-quality value-added products. All these aforementioned challenges are experienced throughout the leather value chain stretching from hides and skins collection to the finishing operations. In its annual report, the Zimbabwe Leather Development Council (ZLDC 2018) indicated that SMEs in the leather value chain are challenged as they rely on basic and outdated technologies such as axes, knives and shanty structures built with plastics and logs as premises for slaughtering.

### Value-addition challenges

While value addition is vital from both the company and the consumers' perspective, many corporations particularly those in the bracket of SMEs face multiple challenges. Adem (2019) and Fereja et al. (2017) identified a lack of facilities for slaughtering, preservation, storage, tanning, transportation, lack of incentives for improvement, limited value-addition knowledge as well as limited government support as challenges confronting small-scale leather producers. Moreover, a study by Mokhothu-Ogolla and Wanjau (2013) found the low-capacity building, lack of industry financing, unskilled employees and obsolete machinery as barriers to value-addition initiatives among the leather sector players. While the aforementioned challenges militate against value addition, it is argued that challenges to value addition differ depending on the size of the enterprise, industry factors, level of economic development as well as the country-specific factors.

### Business environmental factors and value addition

The leather sector like other sectors of the economy functions within a set of both internal and external business environmental influences. As it were, value-addition initiatives by the sector players depend on internal factors such as managerial competencies of owners or managers, availability of resources and how they are deployed across the enterprise, technology usage as well as external factors such as the socio-political and economic climate (Gupta, Gupta & Bhamija 2019). Such business environmental factors may either have a positive or negative influence on the firm's value-adding efforts (Gupta et al. 2019; Kotler et al. 2019). Thus, the leather sector can either benefit from the stability in

the internal and external business factors or suffer when either internal or external influences are unfavourable. The influence of internal and external environmental factors on value-addition initiatives can be understood from the work of Gashaw, Habteyesus and Nedjo (2018) in which they opined that farmers' interest in value-adding their products through innovation and coordination is largely limited by the market environment, support services, processing technologies, infrastructure, institutional, economic and socio-demographic factors. Elsewhere, the United Nations Conference on Trade and Development (UNCTAD) Report (2019) observed the impact of the business environmental factors in terms of price volatility that results in revenue erosion while firm-based factors such as high budget deficit limit the capacity to fund development projects such as value-addition initiatives. In this study, the authors contend that industry attractiveness in terms of revenue generation, level of competition, quality of leather products, regulatory climate as well as the level of technology use have a tremendous influence on value-addition focus.

Empirically, previous studies that focused on value addition produced mixed results. Musyoka et al. (2020) investigated the farm-level value addition among small-scale mango producers in Machakos County, Kenya. The results indicated that training, farmers' awareness and access to cold storage facilities positively influenced the proportion of mangoes to be value-added at farm-level while the distance to market and livestock equivalence precipitated a negative effect on the proportion of value-added mangoes. Similarly, Adem (2019) conducted a study based on the production of hide and skin in Ethiopia: marketing opportunities and constraints, which was a review article. The study established various structural production and information exchange, quality issues as well as financial constraints among the small-scale leather producers while the availability of raw materials, a large livestock base in pastoral areas, ready national and international market for hide and skin emerged as the major opportunities. Furthermore, Melembe, Senyolo and Mbengwa (2021) investigated factors influencing value-addition agricultural choice within smallholder farming agribusiness of Gauteng Province in South Africa and found the number of people per household, permanent workers as well as access to training as the major factors. Likewise, Mokhothu-Ogolla and Wanjau (2013), Mwinyihija and Quisenberry (2013) and Mwinyihija (2018, 2019) found different results regarding value addition while Murathe (2016) observed limited literature on value addition. Consequent to the given discussion, the present study explored the value-addition initiatives among the small-scale leather producers, value-addition challenges and the impact that firm-based factors, as well as external factors have on value-addition initiatives.

### Small-to-medium enterprise definition

Perhaps what is important in understanding the term SME is to appreciate that the definition is like a chameleon that



changes colour depending on the surroundings. So far there is no evidence of a global definition of the term SME in business and management studies literature. There is a noticeable variation in the definition for SME as the dimensions of 'small and medium' have always been relative depending on the country's level of economic development (OECD 2019). Using the same dimensions as found in the SME definition by World Bank Report (2014) as well as the European Commission (2016), Zimbabwe's Small Enterprise Development Corporation (SEDCO) Bill (2010), SME was defined as follows: small – an enterprise consisting of a minimum number of 2 and a maximum number of 40 employees with an annual turnover of \$500 000 while medium – refers to an enterprise consisting of a minimum number of 2 and a maximum number of 75 with annual turnover of \$1 million. Another point to consider in this definition is that the annual turnover varies from one sector to another with the construction, mining and quarrying sectors having the highest figures compared with other sectors. Small Enterprise Development Corporation is a financial division within the Ministry of Small-to-Medium Enterprises and Cooperative Development (MSMECD) that has the responsibility of overseeing and supporting SMEs in Zimbabwe. In this study, the SME definition by SEDCO (2010) shall be the working definition in guiding the selection of enterprises for participation.

## Research philosophy and methodology

### Materials and methods

This study employed the interpretivism paradigm to guide data collection and analysis. In selecting the interpretivism, consideration was given to the need to sustain the 'verstehen' concept as it allowed for understanding, perceiving, knowing and comprehending the nature and significance of the phenomenon (Chowdhury 2014). Thus, through the interpretive paradigm researchers were able to understand, perceive, know and comprehend the extent of value addition in the leather sector as expressed by the research participants, hence giving primacy to action. Using the interpretive philosophy, the study adopted the qualitative method based on action research design that sought action by SMEs to participate in value-addition initiatives. The action research was important as it permitted the researchers to conduct 15 interviews with owners or managers purposively selected from the three leather clusters, namely hides and skins, leather products and the finished leather products. In using interviews, consideration was given to Kvale (1996, p. 32–3) who argued, 'if you want to understand people and the world around them why can't you talk to them'. In this study, a total of 15 interviews were conducted using boardrooms of enterprises with the purposively selected participants from the three leather sectors, namely the hides and skins, leather processing and finished leather products. Researchers obtained a consent letter from the Ministry of Industry and Commerce that granted access to the research participants.

### Recruitment of study participants

This study relied on the purposive sampling technique to recruit study participants. The study aimed at selecting participants who had knowledge about the leather operations and fall in the bracket of SMEs and belong to any of the three leather manufacturing clusters, namely bovine hides and skins collectors, leather products and finished leather products. Through a contact in the MSMECD, researchers obtained a register from the ZLDC as of 30 June 2021, to establish the SMEs in the leather sector that operate in the bovine leather and fall into the bracket of hide and skin collectors, leather products and finished leather products. As a result, 15 personal interviews were then conducted with owners or managers purposively selected from the hides and skins cluster 8 (Bulawayo = 5, Harare = 3), leather products 2 (Bulawayo = 1, Harare = 1) and the finished leather products cluster 5 (Bulawayo = 3, Harare = 2). To qualify for participation in the study, an enterprise needed to be located either in Bulawayo or Harare while belonging to any of the three leather clusters, namely hide and skin collection, leather products and finished leather products. Owners or managers qualified for participation in the study based on their positions in the enterprise. In all the enterprises sampled, interviews lasted approximately between 30 and 45 minutes. The researchers made appointments with interviewees and the interview guide was given to the participants 7 days before the date of the interviews. Researchers observed ethical standards as contained in the ethical clearance from the University's Humanities and Social Sciences Ethics Committee. In observing the ethical issues, four considerations were made namely, (1) interviewees were informed of their rights to withdraw from participation at any time, (2) confidentiality to the information they supplied, (3) participation was voluntary without gender discrimination and (4) all participants confirmed that they were above 18 years.

Analysis of Table 2 reveals that the participants sampled were highly literate and possessed relevant knowledge regarding value addition. In addition, all the participants had served for more than 5 years in the leather business thus making them strategically positioned in articulating value-addition initiatives in the leather sector. This was indicative of their tremendous experience and knowledge of both value-added and non-value-added products. Table 2 presents the key demographic profiles of the participants from all the enterprises sampled for participation in the interviews. It can also be seen from Table 2 that all the participants operate in the decision-making working environment. This further buttresses the fact that the participants, by their positions, had considerable knowledge regarding value addition in the leather industry. Furthermore, Table 2 shows that out of the 15 interview participants, only three of them were female, thus implying that male participants were more accessible for participation in the study compared with the female.

**TABLE 2:** Demographic profiles of interviewees.

Case	Experience	Job position	Highest qualification	City	Cluster	Gender
Participant 1 (BHS1)	19 years	Managing Director	MSC Production Engineering	Bulawayo	Hides and skins	Male
Participant 2 (BHS2)	15 years	Finance Manager	Diploma Leather Technology	Bulawayo	Hides and skins	Male
Participant 3 (BHS3)	14 years	Director	MSC. Accounting	Bulawayo	Hides and skins	Male
Participant 4 (BHS4)	19 years	Director	Certificate Accounting	Bulawayo	Hides and skins	Male
Participant 5 (BHS5)	18 years	Operations Manager	MSC Strategic Management	Bulawayo	Hides and skins	Female
Participant 6 (BLP6)	8 years	Operations Manager	Certificate Leather Technology	Bulawayo	Leather products	Male
Participant 7 (BLP7)	14 years	Director	Diploma Leather Technology	Bulawayo	Finished leather products	Male
Participant 8 (BFLP8)	11 years	Operations Manager	Post-Secondary Certificate	Bulawayo	Finished leather products	Male
Participant 9 (BFLP9)	21 years	Director	Diploma Leather Technology	Bulawayo	Finished leather products	Male
Participant 10 (HHS10)	10 years	Director	Diploma HR	Harare	Hides and skins	Female
Participant 11 (HHS11)	17 years	Finance Manager	Bachelor's degree Accounting	Harare	Hides and skins	Female
Participant 12 (HHS12)	20 years	Director	Bachelor's Degree Supply Chain	Harare	Hides and skins	Male
Participant 13 (HLP13)	12 years	Director	Bcom Marketing	Harare	Leather products	Male
Participant 14 (HFLP14)	24 years	Director	Certificate Leather Technology	Harare	Finished leather products	Male
Participant 15 (HFLP15)	19 years	Director	BSC Production Engineering	Harare	Finished leather products	Male

BHS, Bulawayo hides and skins participant; BLP, Bulawayo leather products participant; BFLP, Bulawayo finished leather product participant; HHS, Harare hides and skins participant; HLP, Harare leather products participant; HFLP, Harare finished leather products participant.

## Trustworthiness and rigour

As is the case in qualitative studies, researchers ensured trustworthiness and rigour. As defined by Lincoln and Guba (1985) trustworthiness refers to the degree of trust or confidence readers have in the results. In ensuring trustworthiness and rigour in this study researchers relied on the four dimensions by Lincoln and Guba (1985) that include credibility, transferability, conformability and dependability. As depicted in Table 2, researchers took necessary steps to achieve credibility of study findings through data sources triangulation whereby data were collected from owners or managers with diverse leather experience in hides and skins collection, leather products processing as well as the manufacturing of finished leather products. Another thing to consider in ensuring data triangulation is diverse qualifications whereby interview participants possessed qualifications in leather technology, accounting, marketing, strategic management and human resources while experience in the leather business ranges from 8 to 24 years. Furthermore, researchers ensured transferability whereby the findings of the current study are likely to be replicated if a similar study is undertaken in another developing country involving SMEs or other participants while dependability was guaranteed through member checking whereby researchers allowed participants to check if the data analysed actually represented the data that were collected from them. In addition, researchers ensured credibility, through purposive sampling technique that ensured owners or managers of both the hides and skins collectors cluster (non-value added) and the value-added cluster would be represented, while the use of the personal interviews was an appropriate data collection method given that the method allowed participants to express their views, shared experiences and opinions relating to value-addition initiatives and challenges. Thus, in this study, the use of unstructured interviews, purpose sampling strategy and selection of owners or managers with knowledge on value-addition initiatives had the potential to sustain credibility (Kyngas et al. 2012; Polit & Beck 2012). In line with Polit and Beck (2012), researchers

also ensured conformability by carefully and accurately recording data from the participants in such a way that the data represented what the participants had provided as well as ensuring that interpretations were not invented. Furthermore, member checking was employed during analysis whereby the researchers contacted participants in Gweru and Bulawayo using the telephone so that participants could confirm whether the results accurately represented what the participants had provided. Lastly, analysis procedures were accurately presented and limitations were declared while self-reflection and criticism were applied as this enhanced dependability and trustworthiness (Kyngas et al. 2012; Pyett 2003).

## Thematic analysis

In performing the thematic analysis, consideration was given to the guidelines by Miles and Huberman (1994). The underlying ideas and concepts in the data were identified and marked. Codes were then assigned before grouping similar types of information into categories. The different ideas and themes were then compared and related. The researchers continuously referred to the interview guide where questions were identified, differentiated and selected topics necessary in answering the study questions. After familiarisation with the questions, the researchers checked the ideas and themes that emerged from the data. The ideas and themes were then related to the research questions in the interview guide (Lincoln, Lynham & Guba 2018).

## Ethical considerations

Ethical clearance to conduct this study was obtained from the University of KwaZulu-Natal Humanities and Social Sciences Ethics Committee (No. HSS/1177/018D).

## Results

The researchers performed a thematic analysis, which culminated in the identification of three major themes,

**TABLE 3:** Theme 1 value-addition initiatives.

Interview excerpts	Sub-themes	Themes
'I think you are aware that all the hides and skins used in tanneries come from livestock farmers with the majority being from rural areas...if we do not deliver the hides and skins tanneries will close.' (Participant BHS2, Finance manager, male, 15 years experience)	Delivery of raw hides and skins from livestock farmers to the tanneries	Value-addition initiatives
'Small players, are mainly involved with the transportation of hides and skins from livestock farmers to the tanneries, preservation and storage of hides and skins ...' (Participant BHS3, Director, male, 14 years experience; Participant BHS4 - Director, male, 19 years experience; Participant HHS10, Finance manager, female, 10 years experience; Participant HHS11, Finance manager, female, 17 years experience; Participant HHS12, Director, male, 20 years experience)	Preservation and storage	-
'Unfortunately, our role is not being appreciated in the leather value chain. We enhance the value of the hides by applying salt and leaving them to dry. This improves the state of the hide before tanning.' (Participant BHS1, Managing director, male, 19 years experience)	Sun drying and salting	-
'The leather equipment that SMEs have only allow them to manufacture belts, rafters, shoes for men and women, ladies' handbags and belts.' (Participant BHS5, Operations manager, female, 18 years experience; Participant HHS10, Finance manager, female, 10 years experience)	Manufacturing of shoes, belts, handbags, wallets, etc.	-
'You know what, producing shoes and other leather products is not enough.... Depending on the capacity of the entrepreneur, the belts, shoes etc. are taken to the places where they are sold such as Mbare Msika, Magaba and Rankin although the majority of these leather products are unbranded and sold in the street pavements without proper plastic bags.' (Participant HFLP15, Director, male, 19 years experience)	Delivery of finished products to the market centres	-
'We always try by every means possible to make our finished leather goods attractive although we do not have packages that match those from giant players from both the domestic and the foreign markets ...' (Participant BFLP8, Operations manager, male, 11 years experience; Participant HLP13, Director, male, 12 years experience)	Packaging	-
'Besides our belts, shoes and handbags do not have names and logos ...' (Participant BLP7, Director, Male, 12 years experience; Participant HFLP14, Director, male, 24 years experience)	Branding	-

BHS, Bulawayo hides and skins participant; BLP, Bulawayo leather products participant; BFLP, Bulawayo finished leather product participant; HHS, Harare hides and skins participant; HLP, Harare leather products participant; HFLP, Harare finished leather products participant.

**TABLE 4:** Theme 2 value-addition challenges.

Interview excerpts	Sub-themes	Themes
'Honestly speaking, how you can talk of value addition in an economy that is relying on generator power as electricity power cuts start as early as 0500 h and restore around 2300 h. To tell you the truth we are going back to the Stone Age. As small players in the game, we lack resources such as generators or solar power to drive production machinery. We honestly look up to the government to swiftly adopt measures towards addressing electricity generation and supply or else we will quickly find ourselves out of business.' (Participant BLP66, Operations manager, Male, 8 years experience)	Frequent power cuts	Value-addition challenges
'As SMEs, we want to venture into the production of processed leather and finished leather products however the cost of leather machinery has always been prohibitive so we rely on the inefficient machines that were purchased over 20 years ago. As small players, we do not have leather machinery for the production of goods such as shoes, belts and other finished leather products. Besides we are even unable to service the old machinery that we inherited about two decades ago ... As a result, we prefer to concentrate on hides and skins collection Look.' (Participant BHS1, Managing director, male, 19 years experience; Participant BHS3, Director, male, 14 years experience; Participant HFLP15, Director, male, 19 years experience)	Obsolete leather machinery	-
'I think as small-scale hides and skins merchants we need to coordinate our resources and efforts so that we improve our capacity to process leather from its primary form to finished leather products such as shoes and belts among other items.' (Participant BHS2, Finance manager, male, 15 years experience)	Lack of coordination and innovation skills	-
'It will be a miracle for SMEs in the leather sector to increase production of high value-added products in an economy characterised by a serious shortage of fuel and were it available it is expensive and is sold in US dollars, which is hard to come by ...' (Participant BHS2, Finance manager, male, 15 years experience; Participant BHS3, Director, male, 14 years experience; Participant BFLP9, Director, male, 21 years experience; Participant HHS12, Director, male, 20 years experience)	High cost of fuel	-
'Transportation of raw hides and skins from the livestock farmers to the tanneries is crucial if the end leather product is to be of high quality. The biggest challenge for us is the state of the roads where over 90% of the road networks especially those connecting to the rural areas are not tarred, bumpy and require rehabilitation. Naturally, where the roads are poor delivery is slowed. This scenario is bad because hides and skins are highly perishable ...' (Participant BHS1, Managing director, male 19 years experience; Participant BHS5, Operations manager, female, 18 years experience; Participant BFLP9, Director, male, 21 years experience; Participant HHS10, Finance manager, female, 10 years experience; Participant HHS11, Director, female, 17 years experience)	Poor road network infrastructure	-
'Look, guys! As small and medium enterprises we are keen to venture into processed leather, however, we face a critical shortage of facilities to preserve the hides and skins ... Most SMEs in the leather sector do not have proper facilities and this negatively impacts value-addition efforts.' (Participant HFLP14, Director, male, 24 years experience)	Lack of proper storage facilities	-

BHS, Bulawayo hides and skins participant; BLP, Bulawayo leather products participant; BFLP, Bulawayo finished leather product participant; HHS, Harare hides and skins participant; HLP, Harare leather products participant; HFLP, Harare finished leather products participant.

namely value-addition initiatives, value-addition challenges and business environmental factors. The summarised interview excerpts, themes and sub-themes are presented in Table 3, Table 4 and Table 5.

## Discussion of findings: Theme 1

Value-addition initiatives emerged as a major theme of the study and occur in varying degrees that include delivery of raw hides and skins from the livestock farmers to the tanneries, storage, sun drying and salting, preservation, delivery of finished leather products to the market centres, packaging and branding. During interviews, participants stated the role they play as value-adding activities in leather operations as follows:

'[I] think you are aware that all the hides and skins used in tanneries come from livestock farmers with the majority being from rural areas...if we do not deliver the hides and skins tanneries will close.' (Participant BHS2, Finance manager, male, 15 years experience)

'Small players are mainly involved with the transportation of hides and skins from livestock farmers to the tanneries, preservation and storage of hides and skins.' (Participant 3, Director, male, 14 years experience; Participant 4, Director, male, 19 years experience; Participant 10, Director, female, 10 years experience; Participant 11, Finance manager, female, 17 years experience; Participant 12, Director, male, 20 years experience)

'[U]nfortunately, our role is not being appreciated in the leather value chain. We enhance the value of the hides by applying salt

**TABLE 5:** Theme 3 internal and external environmental factors.

Interview excerpts	Sub-themes	Themes
'... I think that some enterprises are run and managed by poor managers who lack good managerial competencies. Surely, guys, How do you explain a situation where all decisions are made by the owner in some cases without the relevant experience in leather ...' (Participant BFLP 8, Operations manager, male, 11 years)	Poor managerial practices	Internal and external environmental factors
'We are trying hard to migrate from the hides and skins collection to the manufacturing of finished leather products but the absence of clear-cut policies and regulations governing value-adding activities is letting us down. Some of the regulations and policies in place are favouring large corporations at the expense of the small players ...' (Participant BHS5, Operations manager, female, 18 years experience; Participant HHS11, Finance manager, female, 17 years experience)	Lack of a supportive legal framework	-
'I think as small-scale leather producers we have little knowledge regarding value-adding in the leather sector ...' (Participant BHS1, Managing director, male, 19 years experience; Participant BHS2, Finance manager, male, 15 years experience; Participant BHS3, Director, male, 14 years experience; Participant BHS4, Director, male, 19 years experience; Participant HHS11, Finance manager, female, 17 years experience)	Limited value-addition knowledge	-
'What is surprising in our economy is that the government is not assisting with the subsidised purchase of leather machinery. As small enterprises, we do not have capital machines. In some countries, SMEs receive support from the government and this increases efforts towards value addition ...' (Participant BHS3, Director, male, 14 years experience)	Lack of government support	-
'For almost two decades from the year 2000, the business environment has never been easy especially for the small players. How do you expect increased value-addition focus in an economy characterised by the high inflation rate, high-interest rates, liquidity crunch and non-availability of raw materials especially leather adhesives... In addition, Zimbabwe has been under sanctions from Britain and the USA, which has made the British government withdraw its support, especially the leather funding that leather enterprises used to receive. There is no ease of doing business to talk about in Zimbabwe.' (Participant HLP13, Director, male, 24 years experience)	Unfriendly economic and political environment, ease of doing business	-

BHS, Bulawayo hides and skins participant; BLP, Bulawayo leather products participant; BFLP, Bulawayo finished leather product participant; HHS, Harare hides and skins participant; HLP, Harare leather products participant; HFLP, Harare finished leather products participant.

and leaving them to dry. This improves the state of the hide before tanning.' (Participant BHS1, Managing Director, male, 19 years experience)

From these responses, it is clear that transportation of raw hides and skins to the tanneries, preservation of raw hides and skins, storage as well as sun-drying and salting are the rudimentary stages in the leather value chain and form the major activities among the hides and skins collectors. For instance, a strong emphasis on the transportation role as a value-added activity, Participant 2 was quoted as saying:

'[I] think you are aware that all the hides and skins used in tanneries come from the livestock farmers with the majority of them being from the rural areas...If we do not deliver hides and skins, tanneries will close.' (Participant 2, Finance manager, male, 15 years experience)

Likewise,

'[U]nfortunately, our role is not being appreciated in the leather value chain. We enhance the value of the hides by applying salt and leaving them to dry. This improves the state of the hide before tanning.' (personal interviews, participant 6, Operations manager, male, 8 years experience)

Thus, the participant's comments are a clear testimony that participation of SMEs in value-added activities is still minimal. Transportation, preservation of hides and skins, storage, sun-drying and salting were already observed by Adem (2019) as the value-added activities by SMEs in the leather sector in Ethiopia. On the other hand, value-addition initiatives that include the production of shoes, belts, jackets, wallets and handbags, distribution of finished leather products, packaging and branding are the value-addition initiatives associated with the minority of SMEs. However, as indicated in the interview excerpts, other value-addition initiatives such as packaging and branding are not popular with the SMEs in the leather sector and this affects the perceived value of the products when compared with products from large corporations and those imported (Participants 7, Director, male, 12 years experience; Participants 8, Operations manager, male, 11 years experience; Participants 13, Director, male, 12

years experience; Participants 14, Director, male, 24 years experience).

In addition, to the mentioned facts, qualitative data analysis results revealed that SMEs in the Zimbabwean leather sector is thriving in the collection of raw hides and skins, an activity that is less profitable compared with the sale of value-added products. Against this background, one of the research participants who took part in the in-depth face-to-face interviews stated that:

'[E]ngaging in the collection of raw hides and skins is not very profitable compared with the finished leather products, but it does not require much start-up capital as you only need a license from the veterinary department and look for a few dollars to buy the hides and skins for sale to tanneries. The finished leather products such as shoe manufacturing are expensive as you need a lot of funds, skills and machinery to produce such products.' (Participant BHS5, Operations manager, female, 18 years experience)

In view of the given response, it is clear that resource constraints constitute the greatest barrier affecting the ability of SMEs to fully participate in leather value-added initiatives. Resource constraints as a limiting factor to value addition was already acknowledged in prior studies, for instance, see the work by Arvis et al. (2018).

## Discussion of findings: Theme 2

### Value-addition challenges

The participants were also asked to state the challenges their respective enterprises are facing in their value-addition initiatives in Zimbabwe's leather sector. Table 4 shows the results obtained when participants' data were analysed thematically. Participants from the hides and skins collection cluster (Participant 1, Managing Director, male, 19 years experience; Participant 2, Finance manager, male, 15 years experience; Participant 3, Director, male, 14 years experience; Participant 4, Director, male, 19 years experience; Participant 5, Operations manager, female, 18 years experience; Participant



10, Director, female, 10 years experience; Participant 11, Finance manager, female, 17 years; Participant 12, Director, male, 20 years experience) mainly cited fuel shortages, poor road networks, poorly equipped delivery vehicles, poor storage facilities for hides and skins, lack of facilities for slaughtering and preservation, limited value-addition knowledge, high transport costs and frequent power cuts as the major challenges affecting value-addition initiatives in their respective enterprises. For instance, one of the challenges is captured in the interview excerpt as follows:

'[H]onestly speaking, how you can talk of value addition in an economy that is relying on generator power as electricity power cuts start as early as 0500 hours and restore around 2300 hours. To tell you the truth we are going back to the Stone Age. As small players in the game, we lack resources such as generators or solar power to drive production machinery. We honestly look up to the government to swiftly adopt measures towards addressing electricity generation and supply or else we will quickly find ourselves out of business.' (Participant 6, Operations manager, male, 8 years experience)

These challenges were earlier admitted by Adem (2019) and Mahmud (2000) as major constraints affecting hide and skin improvement by the merchants. Other challenges mentioned by participants from the hides and skins cluster include the high cost of worker training, lack of registered patents or copyrights and obsolete machinery. These challenges were also observed by Mwinyihija (2018), as constraining value-addition efforts. Furthermore, a participant from the hides and skins cluster based in Bulawayo had this to say:

'[T]here is no doubt that every merchant of hides and skins would want to venture into the production of finished products such as shoes, handbags, wallets and jackets among others, but the greatest barrier is the shortage of capital required to buy stitching machines and to hire skilled labour for designing and workmanship needed. We need support, especially from the giant companies such as Bata Shoe Company so that we can venture into the production of finished products, which generate more revenue and we will be able to create more jobs in the process.' (Participant 5, Operations manager, female, 18 years)

In support of the resource challenge as the limiting factor to value-addition initiatives can be found in the studies by Adem (2017), Bekele et al. (2017) and Mokhothu-Ogolla and Wanjau (2013) who observed a lack of facilities for slaughtering, preservation, transportation, outdated machinery, low-capacity building and lack of financing as barriers to value addition among the small-scale leather producers in developing countries.

Above and beyond, the interviewees from the finished leather products cluster articulated that value-addition initiatives in their respective enterprises are weighed down by a myriad of challenges ranging from poor inventory management, obsolete machinery, which exacerbates maintenance costs, shortage of skills, erratic power supplies and fuel shortages. Participants from the finished leather products cluster also indicated that other additional challenges such as high rental costs, poor road networks, no

registered patents, trademarks, and poor relations with distributors also affect value-addition endeavours in their respective enterprises. In line with the above is the work by UNCTAD Report (2019) that observed a lack of support from government and firm-based factors as value-addition challenges facing SMEs in value addition in developing countries.

Lack of coordination and innovation skills emerged as another challenge to value addition among the SMEs to which participant 2 was quoted as saying:

'I think as small-scale hides and skins merchants we need to coordinate our resources and efforts so that we improve our capacity to process leather from its primary form to finished leather products like shoes and belts among other items.' (Participant 2, finance manager, male, 15 years experience)

This finding shows that SMEs operate in a fragmented system where there is a serious lack of coordination and innovation skills. This situation sharply contrasts with the view by Coltrain et al. (2000) who identified innovation and coordination skills as the fundamental dimensions upon which value-addition initiatives are achieved. Other challenges to value addition in Zimbabwean leather sector SMEs revealed herein include lack of coordinated approach and innovation skills, low capacity utilisation and poor diversification, unavailability of skilled labour, unavailability of reliable inbound and outbound logistics, unfair pricing structure, lack of transparency along the leather value chain, and lack of access to credit and other sources of funding. Besides, SMEs in Zimbabwe's leather sector are struggling given that the sector relies a lot on imported goods. Precisely, one of the participants from the finished leather products cluster articulated that:

'[M]ost of our raw materials, shoelaces, soles, chemicals for tanning; they are all imported. Thus, if you go to the shops you find that a local shoe is expensive. It's not because the industry is overpricing, but it's because our inputs are so expensive. Our costs are so high because we rely a lot on imports. So that affects our products.' (Participant 14, Director, male, 24 years experience)

From the interview excerpt, it is clear that players in the leather sector have a critical shortage of raw materials needed in leather manufacturing thus affecting value-addition initiatives.

## Discussion of findings: Theme 3

### Internal and external environmental factors

Business environmental factors also emerged as the third theme during analysis. In this theme, poor managerial practices (Participant BFLP 8, Operations manager, male, 11 years experience), absence of a supportive legal framework (Participant 5, Operations manager, female, 18 years experience; Participant 11, Finance manager, female, 17 years experience), lack of government support (Participant 3, Director, male, 14 years experience), unfriendly economic

and political environment, and ease of doing business (Participant 13, Director, male, 12 years experience). In fact Participant BHS3 chronicled how economic and political factors have negatively impacted on value-addition efforts of companies as follows:

‘[F]or almost two decades from the year 2000, the business environment has never been easy especially for the small players. How do you expect increased value-addition focus in an economy characterised by the high inflation rate, high-interest rates, liquidity crunch and non-availability of raw materials especially leather adhesives... In addition, Zimbabwe has been under sanctions from Britain and the USA, which has made the British government withdraw its support, especially the leather funding that leather enterprises used to receive. There is no ease of doing business to talk about in Zimbabwe.’ (Participant 13, Director, male, 12 years experience)

These findings are consistent with those found by Gashaw et al. (2018), Gupta et al. (2019) and Kotler et al. (2019) who observed the market environment, technological factors, economic factors, socio-demographics as well as firm-based factors as influencing value-addition initiatives. The influence of the business environmental factors on value-addition initiatives was already observed in the review of literature as UNCTAD (2019) pointed out price volatility and high-budget deficits as limiting capacity mainly of small-scale enterprises to fund developmental projects such as value-addition initiatives.

## Conclusion

The increased focus on leather in its primary form has contributed to low revenue generation by SMEs in the leather sector in Zimbabwe. Value-addition initiatives are imperative for SMEs to produce quality leather products and finished leather products that will be competitive in both the local and export markets. Based on the findings it can be deduced that value-addition initiatives among SMEs in the leather sector are still low as the enterprises are mainly involved in leather in its primary form. This study further concludes that low-value-addition focus among the SMEs can be attributed to the internal factors (a lack of value-added knowledge and shortage of leather machinery) and external factors (legal, economic and political). Increased value-addition initiatives among SMEs will help increase demand for leather products and allow the owners or managers generate more revenue, create more jobs in the value-added activities as well as reducing poverty among the value chain players.

## Managerial implications

The SMEs owners or managers in the leather sector need to invest in capacity development by coordinating efforts and resources towards improving value-addition initiatives, particularly in regard to building tanneries for processing hides and skins into leather products. In addition, given the low-value addition skills base currently facing SMEs, it is important to establish vocational leather training centres

for regular skills updates to which they pay affordable subscription fees as this will address skills deficiencies among these players. Furthermore, given the lack of funding characterising the leather sector in Zimbabwe, SMEs need to establish a dedicated leather association fund that will help address the resource deficiencies including investment in solar energy as a way to address the frequent power cuts associated with water and thermal electricity generated power. Finally, another strategy that stands out for SMEs in the leather sector is to consider investing in value-addition initiatives such as distribution, promotion, packaging and branding initiatives as these will make leather products from SMEs occupy a favourable position in the minds of the consumer relative to competing products. In addition, lateral collaboration among the leather value chain partners is necessary towards capacity development in regard to harnessing skills development and infrastructure for value addition among the SMEs in developing countries.

## Limitations and future study

The present study employed a more qualitative approach that is not statistically representative; future studies can be more quantitative to ensure the generalisability of findings. A similar study focusing on the development of a model for value addition among the leather sector players in a developing country will go a long way in addressing the socio-economic dimensions of employment creation, revenue generation and poverty alleviation. In addition, the present study focused on the leather sector; therefore, future studies may consider the same study covering multiple manufacturing sectors in the SADC region.

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The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

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All authors contributed equally to this study.

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## Data availability

The authors confirm that the data supporting the findings of this study are available within the article.



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