Novelty Journals

ISSN 2394-7322

International Journal of Novel Research in Marketing Management and Economics
Vol. 5, Issue 3, pp: (70-76), Month: September - December 2018, Available at: www.noveltyjournals.com

Surviving Hyperinflation without Currency: A Phenomenological Study of Zimbabwean Business Owners

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Abstract: **The phenomenological study sought to explore the experiences of business owners who survived Zimbabwe's hyperinflation without currency from 2003 to 2008. A gap in the literature justified this foundational study to investigate nontraditional risk management methods: diversification, adaptation, and nontraditional forms of currency. Fourteen Zimbabwean businesses responded to an open-ended survey. Six concurrent themes were (a) fuel as nontraditional currency; (b) constant innovation; (c) unorthodox assets; (d) barter and trade to sustain operations; (e) diversification into other businesses; and (f) stable base linked to the U.S. dollar. Four recommendations included: (a) operations between parallel market and regulations; (b) tangible stable asset and currency base; (c) communal barter trade; and (d) multiple simultaneous strategies. The implications included the potential to (a) allow businesses to sustain themselves through a hyperinflationary situation; (b) change practices for international businesses dealing with financial crisis and hyperinflation; and (c) contribute to organizational change in countries experiencing hyperinflation and economic crisis. Zimbabwean business owners enhanced survivability during hyperinflation by implementing multiple adaptations, diversification, and nontraditional currencies simultaneously to successfully navigate the unstable economic environment. Future quantitative research is needed within and outside of Zimbabwe to continue examining business survivability amid hyperinflation using nontraditional risk management.**

Keywords: **survivability of hyperinflation, Zimbabwe, nontraditional currencies, adaptation, diversification.**

1. INTRODUCTION

Hyperinflation is a devastating economic situation that has occurred only a handful of times over the last two centuries, thus making it extremely difficult for individuals unaffected by hyperinflation to grasp. According to the Cagan criterion (as cited in Huff & Majima, 2015), hyperinflation is any monthly increase of more than 50% in the prices of goods, services, and products. From 2003 to 2008, Zimbabwe recorded the highest inflation rates to date, reaching a staggering 79,600,000,000% (Hanke & Kwok, 2009; Madesha, Chidoko, & Zivanomoyo, 2013). A paucity of research into hyperinflation within the region has existed; yet some studies were available to shed light on this rare economic phenomenon of hyperinflation globally, which has been recorded only a few times over the past century (Hanke & Krus, 2013). The hyperinflation in Zimbabwe caused the collapse of the Zimbabwean dollar and the traditional financial market. Overnight, businesses and individuals lost their savings, retirement funds, and capital, as traditional forms of currency and stability no longer existed (Huff & Majima, 2015).

The loss of traditional currency, standard risk management practices, and financial institutions shifted businesses' focus from profit and expansion to survival. Literature is readily available on hyperinflation in Zimbabwe (Madesha et al., 2013) as well as in other countries (Huff & Majima, 2015), but information is lacking about means of surviving hyperinflation through implementation of alternative risk management strategies.

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During hyperinflation in Zimbabwe, many businesses disappeared, such as Makro Super Store (similar to Costco in the United States) and Jagger's Hypermarket (similar to Walmart in the United States). However, other businesses managed to sustain themselves and have continued trading in Zimbabwe to this day, such as T. M. Supermarket, Spar Supermarket, Delta Beverages, and National Tyres. Zimbabwean businesses survived 5 years of hyperinflation by employing nontraditional forms of risk management. To understand how they did so, this qualitative study explored the experiences of Zimbabwean business owners with alternative risk management strategies used in hyperinflation from 2003 to 2008.

Nontraditional risk management is defined as alternative processes and practices that mitigate the effects of hyperinflation and unstable economic policies, such as commodities, precious metals, fuel, foreign currency, and other unorthodox forms of security. Diversification refers to a risk management strategy that combines several types of investments. In 2003, the banking center collapsed in Zimbabwe, destroying traditional forms of investments. In the case of hyperinflation in Zimbabwe, adaptation refers to continuously adjusting to government regulations to sustain business in a chaotic economic environment. At the onset of hyperinflation, the use of foreign currency was permitted, but the Reserve Bank of Zimbabwe (RBZ) issued an act in 2004 that made it illegal to carry any foreign currency (Hanke & Kwok, 2009; Kiguel, 1998). Zimbabwean businesses adapted to these government policies during hyperinflation by using nontraditional forms of currency, such as cattle, chickens, goats, pigs, eggs, vegetables, fruit, rice, maize, flour, cooking oil, precious metals, diesel, clothing, and essential materials. Traditional forms of currency are money, paper, and coins issued by a government, such as the Zimbabwean dollar, U.S. dollar, South African rand, Botswana pula, and British pound.

There remains a lack of research about hyperinflation specific to Zimbabwe. Accordingly, the foundation for this study is similar studies relating to survival during times of economic hardship. In one such instance, Ukraine's integration with Russia provided benefits through bilateral trade agreements and government-supplied financial assistance during a time of economic instability (Yanukovynch, 2009). In Zimbabwe's case, however, targeted sanctions prevented the establishment of bilateral trade agreements, let alone the receipt of financial assistance from foreign governments.

Abel and Mudzonga (2016) and Yanukovynch (2009) offered quantitative research findings on hyperinflation related to tourism sustainability through foreign currency and rural sustainability through cattle acquisitions. However, they did not include a true qualitative analysis of the methods by which businesses survived during Zimbabwe's hyperinflationary period. These deficiencies in the literature underscore the significance of this study in filling the research gap.

Hyperinflation is a perfect storm of government and financial variables and has disastrous effects on businesses and individuals. The International Monetary Fund (IMF), the World Bank, and other global associations, such as the United Nations and North Atlantic Treaty Organization, generally assist countries that enter economic crisis or even financial disaster by providing guidance and financial assistance (Beazer & Woo, 2015). However, while implementing the Land Acquisition Act of 2002, Zimbabwe violated several bilateral trade agreements, thereby incurring targeted sanctions from the United States. The resulting lack of outside assistance and restriction of Zimbabwean monetary policies exacerbated the effects of hyperinflation (Hanke & Kwok, 2009).

Zimbabwean regulations and unapproved monetary policies dramatically reduced businesses' ability to conduct trade using traditional risk management practices, such as fiat currencies and bank transfers. Deprived of standard forms of currency, and without access to traditional risk management techniques, some Zimbabwean businesses implemented alternative—indeed, sometimes revolutionary—risk management techniques involving nontraditional currencies such as commodities and fuel, leading to diversification and adaptation (Madesha et al., 2013).

Although economists and researchers have extensively investigated hyperinflationary situations (Hanke & Kwok, 2009; Madesha et al., 2013), little research exists on alternative and revolutionary risk management techniques such as those used by the businesses that survived the hyperinflationary period in Zimbabwe. Accordingly, this study identified viable risk management techniques using these businesses as a source of information, and thus investigated the phenomenological experiences of business owners who survived Zimbabwe's hyperinflationary period and whose businesses have continued in operation since that time. In addition, it sought to identify and understand the methods by which these business owners survived this situation, whether management procedures, diversification, adaptation, or use of nontraditional forms of currency.

2. BACKGROUND

Prior to 2003, Zimbabwe was a thriving agricultural country in Southern Africa, earning it the nickname "the bread basket of Africa" (Power, 2003, para. 8). In 2002, Zimbabwe's Land Acquisition Amendment Act attempted to address "the imbalances in land access ownership and use" (Ministry of Lands and Rural Resettlement, n.d., para. 5), thereby assisting the impoverished and indigenous population. Due to corruption and mismanagement, the Land Reform Act was not implemented or monitored correctly, resulting in the collapse of Zimbabwe's agricultural industry and economy. The Land Reform Act transformed into a means for land invasion, as the Zimbabwean government reclaimed 90% of the productive commercial farms and disregarded any bilateral trade agreements (Chari, 2013). From 2003 to 2008, the country underwent the world's highest recorded inflation rate, fueled by changes in governmental policies and regulations.

Due to hyperinflation, Zimbabwe's formal banking, investing, and insurance structures were destroyed. The collapse of its formal banking system caused the closure of over 20 local banks; pensions, savings, checking and money market accounts, and other securities disappeared with the closure of each bank (Coomer & Gstraunthaler, 2011). In an attempt to salvage its currency during hyperinflation, the Zimbabwean government instituted several fiscal and monetary policies that had the opposite effect. In 2007, the RBZ issued a set price for basic commodities according to the official exchange rate instead of the parallel market rate (Coomer & Gstraunthaler, 2011). This policy sought to curb inflation and stabilize the economy, yet it left shelves empty because suppliers were unable to import new supplies and products.

The RBZ issued additional policies to control the exchange rate (Madesha et al., 2013), making the following acts illegal:

- carrying foreign currency without a license,
- trading in foreign currency without a license,
- carrying fuel without a license,
- raising prices higher than those of the government,
- buying food from non-government-authorized stores, and
- paying staff more than wages.

These government rules appeared overnight, and many business owners were repeatedly arrested or harassed. The policies were enforced by the Zimbabwe Army and local police, resulting in the daily arrest of many business owners and further lack of control of the exchange rate (Jones, 2010). Another fiscal policy required that all foreign currencies be deposited immediately into a banking institution and be used within 30 days to avoid confiscation by the RBZ (Chibber, 2000). Additionally, all external payments had to be approved by the RBZ, a process that required roughly 45 days; by that time, the funds had been in the account for over 30 days and were consequently confiscated. The RBZ recently admitted to confiscating approximately $1,000,000,000 from individuals and businesses (Ndlovu, 2013).

Government policies and hyperinflation created an environment that eliminated traditional and proven risk management practices, requiring new and innovative techniques and methods. These events caused the Zimbabwean business sector to become insolvent and bankrupt, resulting in the closure of most businesses and an 85% unemployment rate (Rusvingo, 2015). The surviving businesses were able to sustain themselves only by adapting individual alternative risk management methods, with the understanding that such techniques offered the potential for businesses to sustain themselves during future economic crises.

The study was guided by two research questions:

RQ1. What does it mean to survive a hyperinflationary economic state through alternative risk management methods using diversification, adaptation, and nontraditional forms of currency for business executives in Zimbabwe from 2003 to 2008?

RQ2. How would business executives during a hyperinflationary economic situation describe alternative risk management methods using diversification, adaptation, and nontraditional forms of currency in Zimbabwe from 2003 to 2008?

ISSN 2394-7322

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3. METHOD

This was a foundational phenomenological study that explored three specific constructs associated with the ability to survive hyperinflation in Zimbabwe: diversification, adaptation, and nontraditional currencies. A nonrandom sampling method was used to purposefully choose the final sample of 14 participants. Business executives and owners were chosen from a sampling frame of 15 businesses and companies representing a wide variety of commercial entities that survived hyperinflation and remain in existence today. The anonymous nature of the survey ensured the safety and protection of the potential participants of this study from potential adverse consequences to participation because of the current economic and political climate. Furthermore, an anonymous survey created a safe and private environment to enhance validity through anonymity, allowing the potential participants to provide a deeper verbal response to the questions.

The 14 participants were all male businesses owners; the majority were college educated and reflected the study target population of Zimbabwe's business population (PricewaterhouseCoopers, 2016). The final sample of 14 participants resulted in a survey return rate of 85.66% that offered thick and rich responses from participants who experienced the study constructs (Creswell, 2013; Lincoln & Guba, 1985). Validity and reliability of the final data were also assessed to ensure the credibility and trustworthiness of the study findings, and instrumentation was field tested prior to data collection. Methods of risk management included any nontraditional processes and practices that mitigate the effects of hyperinflation and unstable economic policies, such as use of commodities, precious metals, fuel, foreign currency, and other unorthodox forms of security.

Creswell's six-step process for data analysis of the qualitative data was used to analyze 14 complete surveys gathered by SurveyMonkey. The coding process was examined holistically once data saturation was achieved, resulting in a total of 26 codes in Dedoose, and a final 16 patterns through Dedoose's Code Co-Occurrences analysis. Finally, Dedoose's 3-D and Pack Cloud analysis were implemented to identify six major themes. The threshold requirement for major themes was 70% of responses by participants for the respective theme.

4. FINDINGS

Six major themes met the threshold for at least 70% of responses by participants, and all six major themes were concurrent for Research Questions 1 and 2 (see Table 1): (a) fuel as the overwhelming first choice for nontraditional currencies, particularly as numerous nontraditional currency choices aimed to bring about a stable currency; (b) constant innovation regarding regulations and environment—crucial to survivability during hyperinflation; (c) the relative uselessness of most traditional management techniques during hyperinflation, even as an unorthodox approach to asset management achieved some form of stability; (d) companies' heightened propensity to barter and trade as a way of operating and sustaining operations as hyperinflation became prolonged and ever more severe; (e) the importance of diversification into other businesses and areas as a means of sustaining a company during hyperinflation; and (f) the use of adaptation, diversification, nontraditional currencies, and asset management to put in place a stable base—specifically, leading back to the U.S. dollar.

Table 1: Major Themes: Co-Occurrence for Research Questions 1 and 2

Theme	Frequency	Percentage
1. Fuel as overwhelming first choice, among numerous nontraditional currency choices, for nontraditional currencies to achieve stable currency.	14	100%
2. Constant innovation regarding regulations and environment was crucial to survivability during hyperinflation.	13	92.86%
3. The majority of traditional management techniques were useless during hyperinflation, but an unorthodox approach to asset management achieved forms of stability.	12	85.71%
4. As hyperinflation was prolonged and increased, companies used barter and trade to operate and sustain their operations.	12	85.71%
5. Diversification into other businesses and areas was crucial to sustain the company during hyperinflation.	10	71.43%
6. Adaptation, diversification, nontraditional currencies, and asset management were used to attain a stable base, specifically leading back to the U.S. dollar.	10	71.43%

Note. $N = 14$.

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5. DISCUSSION AND CONCLUSIONS

Hyperinflation is a rare economic phenomenon but still occurs in today's global economy in countries such as Sudan, Venezuela, Syria, Malawi, and Ukraine (Deloitte Global Services, n.d.); therefore, this foundational study had practical implications for social, practical, and organizational change in the global environment, specifically in countries facing economic crisis and hyperinflation. The author used similar methods—adaptations, diversification, and nontraditional currencies—to survive hyperinflation in Zimbabwe, and initial perceptions of the survivability of hyperinflation were based solely on this experience—specifically, daily adjustment to the adverse economic climate and the use of various nontraditional currencies. These experiences informed the literature review and construct operationalization for the interview guide used in this study.

Although the author had experienced and survived hyperinflation, divergent theme findings facilitated the emergence of several ideas from the perception and experiences of other Zimbabwean business owners. First, the participation, willingness, and timely responses of the participants were surprising, as each individual not only had endured the period of hyperinflation but also risked potential consequential outcomes in the current unsettling legal climate.

Theme 1 was exemplified by Zimbabwean business owners and executives pegging their product value and trade against the cost of a liter of fuel because it was an imported commodity with a stable international value that could not be manipulated by price controls or government regulations (Mpofu, 2017; Zwinorio, 2016). The reliance on and importance of fuel coupons as a stable source of currency during hyperinflation also extends into Zimbabwe's current economic situation. Currently, Zimbabwean business owners and executives have returned to fuel as a nontraditional currency because of the introduction of the Zimbabwean bond dollar and removal of the U.S. dollar from circulation (Zwinorio, 2016).

Themes 3 (nontraditional assets), 4 (shortage diversification), and 6 (use of U.S. dollar base) have the potential to allow businesses to sustain themselves through a hyperinflationary situation; therefore, the ability of businesses to sustain and survive the chaotic environment of hyperinflation could result in the holistic support of the economy, community, and individuals (Abel & Mudzonga, 2016; Coltart, 2008). Theme 5 was crucial for business owners and executives to diversify into areas of shortage for sustainability, profitability, and future barter and trade. Business diversification remains a common practice in today's global businesses; it is designed to increase market share, expansion, and integration (Austin, 2012), which was similar to Theme 5 as diversification was necessary for business survival during hyperinflation.

Although the survey was anonymous, Themes 2 and 6 illustrated the openness and honesty of participants about their involvement in parallel trade, which was unexpected based on the prior research. Next, Theme 6 was a circular notion, incorporating the co-occurrence of all six themes and the focus on fiat currencies. Finally, there was the disheartening realization that Zimbabwean business owners played a small part in solving hyperinflation because of the holistic roles of government, IMF, and the World Bank, emphasizing that the role of a business is to sustain itself through nontraditional survivability strategies.

Four recommendations for professional practice were interpreted from the six theme findings: (a) operations between parallel market and government regulations; (b) tangible stable asset and currency base; (c) communal barter and trade; and (d) multiple simultaneous strategies. Future quantitative research is needed within and outside of Zimbabwe to continue to examine business survivability amid hyperinflation using nontraditional risk management. The major themes of this study should be operationalized to numeric measures in future quantitative studies.

Implications for social, practice, and organizational change were (a) the potential to allow businesses to sustain themselves through a hyperinflationary situation; (b) the potential to change practices for international businesses dealing with financial crisis and hyperinflation; and (c) the potential to contribute to organizational change in countries experiencing hyperinflation and economic crisis. Thus, Zimbabwean business owners would enhance survivability during hyperinflation by implementing multiple adaptation, diversification, and nontraditional currencies simultaneously to successfully navigate the duration of the unstable economic environment.

ISSN 2394-7322

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