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Kwaramba PK
Development Economist and Director-Technology Transfer & Resource Mobilisation Unit, SIRDC, Harare, Zimbabwe

Madzingaidzo L
Chief Executive Officer, SIRDC, Harare, Zimbabwe

Mudyahoto GG
Executive Director, SIRDC, Harare, Zimbabwe

Mushiri T
Executive Director, SIRDC, Harare, Zimbabwe

Kavu A
Director of TIPS, SIRDC, Harare, Zimbabwe

Mutandwa M
Deputy Director of TIPS, SIRDC, Harare, Zimbabwe

Mketiwa I
Head of Programmes, SIRDC, Harare, Zimbabwe

Kurima B
Senior Marketing Analyst/ICT of TIPS, SIRDC, Harare, Zimbabwe

Panganayi T
Statistician, SIRDC, Harare, Zimbabwe

Dzadza T
Data Analyst, SIRDC, Harare, Zimbabwe

Corresponding Author:
Kwaramba PK
Development Economist and Director-Technology Transfer & Resource Mobilisation Unit, SIRDC, Harare, Zimbabwe

Conversion and repurposing of building space for business: Performance of MSMEs operating in partitioned building spaces in Zimbabwe

Kwaramba PK, Madzingaidzo L, Mudyahoto GG, Mushiri T, Kavu A, Mutandwa M, Chekai P, Mketiwa I, Shirichena T, Dhlamini N, Kurima B, Panganayi T and Dzadza T

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Abstract
The survey on operating space for MSMEs aimed at assessing the utilisation of the business premises leading to the clear identification of challenges faced by actors. It also offered a platform for sharing inclusive mitigation measures. The process covered 2,969 tenants and 896 customers. The nationwide intervention by SIRDC was endorsed by key stakeholders as it covered a critical resource –space for business- and gave pointers on trendy products favoured by customers. The covered MSMEs were injecting into fiscus and municipal treasuries through statutory payments hence upscaling will be necessary for generating more revenue. However, operation gaps such as high rental fees, infrastructure inadequacy and statutory compliance still needed attention. Government was urged to provide more space on strategic sites as it stands to gain through job creation and extra tax injections. Such facilities will then be designed along smart city concepts which are in line with international best practices. MSMEs are also encouraged to formalise operations so that economic progress can be measured and facilitated by delegated officers in an accountable manner. Local manufacturers should also strategise accordingly by boosting production that then feeds into the partitioned shops, matching or surpassing output in terms of quality, capacity and cost. The national import bill will resultantly be reduced. Innovation centres can also weigh in through design improvements, process optimisation and continuous improvement in line with lean six sigma principles. Networks for success, new ideas and policy bargains remain critical ingredients for MSMEs success.

Keywords: Partitioned building space, MSME business development, statutory compliance, invisible owners, networking

Introduction

Micro, Small, and Medium Enterprises (MSMEs) are key in the economic scheme of things among developing countries like Zimbabwe. The fiscus, local authority treasuries, levy entities like Rural Electrification Agency (REA), Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ), National Social Security Authority (NSSA), Environmental Management Agency (EMA) are receiving payments from the MSMEs. The real estate sector ownership and management as well as companies and experts carrying out the partitioning jobs are obtaining income. However, operating space, a critical resource for these small businesses, is now a thorn in the flesh. The shortage has driven property owners and managers into partitioning to accommodate as many players as feasible. This process has adversely affected the MSMEs and other entities upstream and downstream. This prompted the Scientific and Industrial Research and Development Centre (SIRDC), the Ministry of Small and Medium Enterprises and Cooperatives and the Chamber of SMEs to conduct a nationwide survey targeting Central Business Districts (CBDs) across all ten (10) provinces to generate empirical evidence that guides policy debate. Resultant policies and strategies will guide stakeholders on best way forward in strengthening the contribution of these key economic actors within Zimbabwe. Several economic and business theories (Government of Zimbabwe, 2021); (Chetsanga, 2021) [3]; (Simbi, 2022) [20]; (Saheed A. Gbadegeshin *et al*, 2022) [6] can be applied in analysis to closely understand the dynamics of MSMEs.

Core dimensions in the partitioning of buildings for the creation of operating space

The SIRDC team, after touring MSME premises across the ten (10) provincial capitals, observed core dimensions that guided the partitioning and repurposing of working space. These are given below:

Design Principles for Conversion

The main issues that guided the design and professionalism were:

- **Flexibility and Adaptability:** This called for designing partitions that can be reconfigured as needs change over time.
- **Maximizing Space Utilization:** This aimed at efficiently dividing areas to optimize workflow and safety.
- **Compliance with Regulations:** Ensuring modifications meet building codes, safety standards, and accessibility.

Types of Partitions Used The forms of partition were

- **Fixed Partitions:** Permanent walls or barriers.
- **Movable Partitions:** Dividers that can be adjusted or removed.
- **Glass or Perspex Partitions:** These provided for visibility and light flow while maintaining separation.
- **Soundproof Partitions:** These enabled the control of noise in sensitive areas.

Applications

Observed purposes included

- **Retail spaces:** shops, food serving space, stationery and printing service
- Healthcare Facilities: Operating rooms, patient zones, staff areas.
- **Laboratories:** Segregated sample preparation space, research zones, cleanrooms.
- **Industrial Spaces:** Partitioned workshops, storage, and operational zones.
- **Offices and Commercial Spaces:** Modular workstations and meeting rooms.

Challenges and Considerations

The process noted the following matters

- **Structural Integrity:** Ensuring partitions do not compromise building safety.
- **Lighting and Ventilation:** Maintaining proper airflow and natural light.
- **Acoustic Control:** Minimizing noise transfer.
- **Aesthetic Integration:** Blending functional partitions with overall design.

These parameters guided the data collection process through observations; key informant interviews; on-the-ground-verifications and field-based data cleaning.

Population and Sampling under the Survey

The respondent population was made up of tenants, owners, managers, planning experts, health-care officers and customers operating within partitioned buildings in provincial capitals of Zimbabwe. A total of 2,969 tenants were covered under CBDs of cities/towns in: Harare, Bulawayo, Mutare, Masvingo, Marondera, Chinhoyi, Bindura, Gwanda, Lupane and Gweru. Eight hundred and ninety-six (896) customers for the partitioned shops also responded under the survey. Forty-eight (48) owners and property managers as well as eleven (11) experts weighed in as key informants. Ethical considerations were strictly observed and participation was voluntary. Table 1 profiles the respondents.

Table 1: Respondents' profile (N=2,969)

Provincial Capital	Respondents	%
Harare	889	30
Bulawayo	267	9
Bindura	253	8.5
Chinhoyi	192	6.5
Marondera	311	10.5
Lupane	5	0.1
Gweru	337	11.4
Gwanda	24	0.7
Masvingo	356	12
Mutare	335	11.3
Total	2,969	100

Source: SIRDC TIPS Survey, March 2025

Table 1 reflects the dominance of cities (Harare, Mutare, Masvingo, Gweru) and Marondera town in partitioning and repurposing operating space. This might reflect infrastructure availability and respondent openness. These might also be pointers on willingness levels to participate in the study. However, findings still have a bearing on other sites. As they plan and grow, they have to draw lessons five above.

Development Theories

Selected business and economic theories (Muranda, 2021) [11]; (Kwaramba, 2022) [9]; (Chen- Hongbo, 2014) that aided analysis and interpretation of surveyed data, having been deemed to be of significance to SME businesses in Zimbabwe, include:

Entrepreneurship Theory

This theory focuses on the role of entrepreneurs in driving economic growth and innovation. It emphasizes the qualities of successful entrepreneurs, such as risk-taking, resilience to shocks, sticking to vision, and taking initiatives. MSMEs often arise from entrepreneurial initiatives and the understanding of entrepreneurship can help in formulating policies that support small businesses through Government's (Central, Local authorities) infrastructure improvements, incentives, networking, access to affordable finance, training, and mentorship.

Resource-Based View (RBV)

The RBV states that a firm's competitive advantage is derived from its unique resources and capabilities. MSMEs may have limited resources compared to larger firms but can leverage specialized knowledge, adoption and adaptation of international best practices, enhanced local market understanding, networking among themselves, and customer relationships as competitive advantages. This theory encourages MSMEs to identify and utilize their unique resources effectively and this including partitioned rental space.

Institutional Theory

This theory examines how institutions (rules, norms, and regulations) influence the behaviors of organizations from

ZIMRA, EMA, City/town authorities, NSSA, police (national, municipal), health-care authorities and resident associations. MSMEs are heavily impacted by the regulatory environment and institutional frameworks. Policymakers can use this theory to recognize obstacles MSMEs face, such as bureaucratic inefficiencies or access to credit, and devise strategies to create a more supportive institutional landscape.

Transaction Cost Economics

The theory analyzes the costs associated with economic exchanges and how they affect organizational structures and market behavior. MSMEs often face high transaction costs due to excessive power of owners/managers, limited bargaining power, lack of economies of scale, currency/exchange shocks and information asymmetry. Reducing these costs—through better access to information, networks, and technology—can enhance MSME performance.

Market Structure Theory

This theory studies how the structure of a market (number of competitors, product differentiation, imports relative to local product pressures) influences business behavior and outcomes. MSMEs can thrive in niche markets or localized industries where larger firms may not compete. Understanding market dynamics helps MSMEs to identify opportunities for differentiation and market penetration. When Government changes monetary and fiscal policies, markets are often disturbed. Adjusting to changed market dynamics are vital for their survival and growth. It is also prudent to evaluate their ability to exploit market opportunities that arise under the Procurement Regulatory Authority of Zimbabwe (PRAZ) quota system.

The Theory of Creative Destruction

Proposed by Joseph Schumpeter, this theory posits that economic development arises from the disruptive innovations that create new industries and displace older ones. MSMEs are often at the forefront of innovation, bringing new ideas and technologies to market. Supporting this aspect can foster economic dynamism and job creation. It is critical to evaluate how the MSMEs relate to both the informal as well as formal businesses.

Supply Chain Management Theories

These theories analyze how firms manage their supply chains to maximize efficiency and minimize costs. MSMEs can benefit from understanding supply chain dynamics to improve their operational efficiency, build resilient supply networks, and gain a competitive edge.

Behavioral Economics

This field examines how psychological factors and cognitive biases affect economic decisions. Understanding customer behavior is essential for MSMEs to tailor their marketing strategies. Behavioral insights can help in designing products and services that align with consumer preferences.

Innovation and Learning Theories

These theories emphasize the importance of continuous innovation and organizational learning as pathways to enhanced performance and competitiveness. This links closely with the SIRDC mandate of ensuring that Zimbabwe, under National Development Strategy 2 (NDS2) and Vision 2030, develops through exploitation of emerging technologies. Adopting an innovation-driven mindset can help MSMEs adapt to changing market conditions and consumer needs, ensuring long-term sustainability and growth.

SIRDC Cluster Approach in Mandate Execution

SIRDC, the Zimbabwe Technology Centre (www.sirdc.ac.zw), has the mandate of ensuring that the country develops through exploitation of technologies. It has recently adopted a cluster approach in its interventions. The clusters covered include: Agriculture; Built Environment and Transportation Systems; Health; Industry and Manufacturing; Information and Communication Technologies (ICT) including Artificial Intelligence (AI); Mining and Mineral Beneficiation; Environment and Water; Energy and Power; Small and Medium Enterprises (SMEs) and Commercialisation. Apart from emphasis on business approach in all activities, the Centre embraces teamwork across multiple disciplines as dictated by the Stage Gate ® Process (Cooper, 2014). These frameworks of intervention will be used as SIRDC intervenes in supporting MSMEs and champion the small businesses cause.

These theories guide investment decisions, shape growth patterns, give pointers to graduation from micro to medium; from medium to large companies – with implications on job creation and injections into economies through taxes. MSMEs are a cornerstone of economic development and job creation. Applying these economic and business theories can aid investors, joint venture partners, funders, policymakers, business leaders, and entrepreneurs in crafting effective strategies and programs that support MSME growth and sustainability. Understanding the unique challenges and opportunities that MSMEs face is crucial for fostering an environment where they can thrive and graduate into big companies.

Findings

Table 2 shows that the majority entities fall into the micro-level of operations whilst women dominate the space tenancy. O and A level of education dominated whilst the economically active age group was the majority. The dominant line of business, top five (5) areas, were: apparel and fashion; food; electronics and appliances; health and beauty; hardware and building materials. These parameters are key in guiding effective policy and strategic interventions for enhanced role-play by the MSMEs.

Table 2: Survey findings: Demography, Formalisation and Compliance with statutes (N=2,969)

Parameter	%
Proportion of micro-enterprises relative to small and medium enterprises	98%
Tenant gender profile	67% Female 33% Male
Dominant age 25-54 years	72%
Dominant education level O, A Level	71%
Dominant line of business (Top 5) Apparel and Fashion 43; Food 18, Electronics and Appliances 17; Health and Beauty 10.2; Hardware and Building 5	93.2%
Unhappy with rental levels	53%
Formally registered	57%
Company bank account holder	31%
Local authority license holder	78%
Zimbabwe Revenue Authority (ZIMRA)/NSSA	72%
Building owner/manager age category 25—54 years	90%
Period building has been partitioned 2 or more years	59%
Lease contract	56%
Waste management-dispose	98%
Energy source –Zimbabwe Electricity Transmission and Distribution Company (ZETDC) Grid	94%
Large company closures triggered partitioning	44%
More profits and customisation drove partitioning	56%
Professionally designed partitions	81%

Source: SIRDC TIPS Survey, March 2025

The SIRDC TIPS survey (2025) revealed that partitioning was triggered, in part, by closure of large companies who rented the premises as well as the pursuit of greater profits. Professional companies and experts were contracted to effect the partitions ensuring high aesthetic levels. This attracted young and fashion conscious customers. Although formalisation levels were relatively high reportedly due to enforcement, there is room for improvement. The dominance of managing waste through disposal as opposed to recycling and heavy reliance on ZETDC grid power as opposed to solar diversity pointed towards required shifts in operation. ZESA power is vulnerable to load shedding compromising safety in operations. Majority tenants were unhappy with rental levels and disputes were reportedly common. When disputes resulted in change in location, contacts with regular customers will be adversely affected worsening MSMEs operations which are dominated by women.

Table 3 shows that majority were adversely affected by regulations (from Government and municipal authorities), currency changes and rental levels. When they raised concerns with authorities such as Rent Board, the outcomes were not always 100% in their favour. Water, electricity, working space and toilets/ablutions were reportedly not 100% available to tenants. There is room for improvement on these dimensions. The majority used own savings as initial working capital, implying room for finance houses to weigh in to mitigate this drawback on women- dominated ventures. Customers were pleased with service obtained in these shops, whilst the operators saw their future under the partitioned settings. Average monthly profit of USD323/month supported their views.

Table 3: Other performance parameters (N=2,969)

Parameter	Unit
Negatively affected by regulations	68%
Negatively affected by currency issues	77%
Average monthly profit	USD323
Dominant rental fee range USD200-400/month	36%
Second dominant rental fee range USD401-800/month	29%
Use of savings as initial working capital	75%
Use of USD as currency of transaction	97%
Cash as method of payment	98%
Dominant challenge – rent arrears	52%
Use of laptop/computer	27%
Use of point-of-sale (POS) machine	19%
Use of social media	72%
Exchange rate and cash shortage as business shocks	58%
Tenancy occupancy rate	74%
Water sufficient	54%
Electricity sufficient	57%
Working Space sufficient	57%
Toilets sufficient	64%
Structural safety of the operating building	53%
Moderate to high competition from informal enterprises	88%
Moderate to high competition from formal enterprises	76%
Obtained local authority clearance to partition	92%

Dominant customer category 18-34 years of age	75%
Customers in age category 18-34 years	75%
Customers pleased with partitioned space	58%
Shopping preference for partitioned spaces	76%
Pressure on city/town infrastructure: amenities (general)	35%
Pressure on city/town infrastructure: parking, traffic congestion	25%
Pressure on city/town infrastructure: overcrowding, waste management	30%
Sustainability of partitioned space	69%

Source: SIRDC TIPS Survey, March 2025

Expert Observations

The SIRDC team made several observations and these included:

- Dominance of imports (direct, indirect) among traded items, at the expense of local manufacturing industry
- “Invisible” owners, who were not explicitly forthcoming to give their side of the story for fear of reprisals
- Tasked managers “runners” or middlepersons have a tendency of distorting circumstances compromising the pursuit of sound policy making. They also add to cost of doing business whilst uncertainty risks tend to be high
- The support from City/Town Treasuries was in line with the quest for more revenue but this may be at the expense of efficiency in doing business
- The Local Government role in mitigation (lowering costs by availing more space) was silent.
- Trade-offs among tenants and owners as well as customers need further scrutiny. If the customer buying power goes down, tenants will be adversely affected and ultimately property owners. The tripartite balance needs further policy attention.
- What customers buy should inform manufacturers on quality, cost and capacity (SMEs and Business)
- Empirical evidence generated sharpens policy interventions; should be a regular exercise

Policy issues that need attention by stakeholders

The following matters require inclusive attention by all stakeholders so that MSMEs play their crucial role in development:

- More space is needed by MSMEs for them to conduct their business affordably
- Trade-offs are between rent seeking owners and viability threatened SMEs
- Infuse international best practices
- Incorporate MSMEs needs in Development Master Plans/Link findings with input into provincial GDPs
- Relate process to architecture, interior design, and urban planning/ This involves transforming existing structures for new functions, often creating distinct, partitioned zones suited for specific operational needs.

Conclusion

The success of MSMEs businesses operating under partitioned building space hinges on inclusivity, teamwork and exploitation of innovative ideas by all actors. A win-win situation must be found and get sustained among tenants, building owners/managers, regulators, statutory enforcement officers, Government, local authorities, companies contracted to put up the partitions and the research fraternity. Training for compliance and identification of new opportunities was deemed essential. Funding agencies must weigh in whilst the tenants themselves must be financially disciplined. The combined outcome should be in the form of more profits, more tax payments, growth into large companies and increase sale of locally made goods.

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