



# Client Concentration Risk and Structural Vulnerability in Zimbabwe's Clearing and Forwarding Sector

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**Abstract:** Small and medium-sized enterprises (SMEs) are critical catalysts for economic growth, employment creation, and service provision, particularly in developing economies. In Zimbabwe, SMEs dominate trade-dependent sectors such as clearing and forwarding, logistics, and border services. Despite their importance, SME survival rates remain precariously low, with many firms exhibiting a high degree of revenue concentration on a single client. This study investigates client concentration risk as a structural vulnerability within Zimbabwe's clearing and forwarding sector. Employing a qualitative, interpretivist methodology, the study employs a critical case study of Heymax Shipping, supplemented by professional sectoral observations and a documentary analysis of existing regulatory frameworks. **Findings:** The study reveals that client concentration risk is structurally produced by low barriers to entry, market saturation, price-driven competition, and compliance-focused regulation. Informal practices and corruption may facilitate short-term survival; however, they exacerbate long-term institutional fragility. **Contributions:** Theoretically, the study integrates client concentration literature with trade facilitation and regulatory theory, identifying embeddedness and relational contracting as primary mechanisms of structural vulnerability. Practically, it provides diagnostic tools for SMEs and proposes policy reforms—including client diversification incentives and professionalisation initiatives—to enhance resilience in developing economies.

**Keywords:** SMEs, client concentration, structural vulnerability, clearing and forwarding, Zimbabwe, trade facilitation, regulatory frameworks.

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## INTRODUCTION

### Background to the Study

Small and medium-sized enterprises (SMEs) are widely recognised as critical drivers of employment creation, service provision, and economic resilience, particularly in developing economies. In Zimbabwe, SMEs dominate the commercial landscape and play a central role in trade-dependent sectors such as clearing and forwarding, logistics, and border services. Despite their numerical dominance and strategic importance, SME survival rates remain persistently low, with firm mortality occurring even among licensed, compliant, and operationally experienced enterprises.

Existing explanations for SME failure in Zimbabwe have largely focused on macroeconomic instability, currency volatility, limited access to finance, and regulatory uncertainty. While these factors are undoubtedly significant, they do not fully explain why firms operating under similar external conditions experience divergent survival outcomes. This suggests the presence of internal structural vulnerabilities that interact with broader economic and institutional environments to shape firm resilience.

One such vulnerability, which remains under-examined in both academic and policy discourse, is over-reliance on a single client as a primary or dominant source of revenue. In service-oriented industries characterised by low barriers to entry, intense competition, and informal contracting practices, client concentration emerges as a structural risk capable of undermining business sustainability even in the absence of macroeconomic shocks.

The clearing and forwarding industry in Zimbabwe provides a particularly instructive context for examining this phenomenon. Operating at the intersection of trade facilitation, regulatory compliance, and private enterprise, clearing agents are subject to extensive procedural oversight by the Zimbabwe Revenue Authority (ZIMRA) under the Customs and Excise Act (Chapter 23:02). However, while regulatory frameworks emphasise licensing, compliance, and revenue protection, they pay limited attention to the commercial sustainability of licensed firms. This regulatory asymmetry has contributed to market proliferation, price compression, and heightened firm vulnerability.

### **Statement of the Research Problem**

Despite the centrality of clearing agents to Zimbabwe's trade facilitation architecture, a significant proportion of firms in the sector exhibit fragile financial structures characterised by narrow client bases and high revenue concentration. Many firms rely on a single dominant client for the majority of their income, often exceeding prudent risk thresholds identified in financial management literature.

This reliance is frequently rationalised as a survival strategy in a saturated market marked by shrinking trade volumes and aggressive price competition. However, such dependency exposes firms to abrupt revenue collapse following client exit, payment delays, or unilateral renegotiation of service terms. In the absence of long-term contractual safeguards or regulatory mechanisms that promote market discipline, the loss of a dominant client can precipitate immediate business failure.

The research problem addressed in this thesis is therefore articulated as follows:

- Why do small clearing and forwarding firms in Zimbabwe exhibit persistent vulnerability arising from client concentration risk, and how do regulatory, market, and institutional structures contribute to or fail to mitigate this vulnerability?

### **Research Aim and Objectives**

#### ***Research Aim***

The primary aim of this study is to examine the structural drivers and consequences of client concentration risk among small clearing and forwarding firms in Zimbabwe, and to assess how regulatory and institutional frameworks shape firm vulnerability and resilience.

#### ***Research Objectives***

The specific objectives of the study are to:

- Analyse the prevalence and drivers of single-client dependency among small clearing and forwarding firms in Zimbabwe.

- Examine how market structure, competition intensity, and barriers to entry influence client concentration risk.
- Assess the role of regulatory frameworks, particularly ZIMRA licensing and compliance requirements, in shaping firm sustainability.
- Explore the financial, strategic, and operational consequences of dominant client reliance.
- Propose policy and managerial interventions aimed at reducing structural vulnerability and enhancing firm resilience.

### **Research Questions**

The study is guided by the following research questions:

- What factors drive small clearing and forwarding firms in Zimbabwe to rely heavily on a single client?
- How does client concentration affect financial stability, bargaining power, and strategic flexibility?
- In what ways do regulatory and institutional arrangements contribute to market saturation and firm vulnerability?
- How do firms perceive and manage the risks associated with dominant client dependence?
- What reforms can enhance sustainability within Zimbabwe's clearing and forwarding sector?

### **Significance of the Study**

#### ***Academic Significance***

This study contributes to existing literature in three key ways. First, it extends theories of client concentration and financial distress to low-barrier service industries in developing economies, where informal contracting and relational market entry are prevalent. Second, it integrates trade facilitation and small business vulnerability literatures, which are often examined separately. Third, it provides empirically grounded insights into how regulatory compliance regimes may inadvertently exacerbate commercial fragility.

#### ***Policy and Practical Significance***

For policymakers and regulators, the study highlights blind spots within compliance-focused licensing systems that overlook firm sustainability. For practitioners, particularly clearing agents and industry associations, the findings offer diagnostic insights for assessing and managing client dependency risk. The study also contributes to broader debates on SME development, professionalisation, and regulatory reform in Zimbabwe.

## Scope and Delimitation of the Study

The study focuses on small and medium-sized clearing and forwarding firms operating in Zimbabwe, with particular reference to high-traffic border posts. While insights may be transferable to other service sectors, the empirical focus remains on clearing agents due to their strategic position within the trade ecosystem. The study does not seek to statistically quantify firm failure rates; instead, it adopts a qualitative approach aimed at understanding structural vulnerability, institutional dynamics, and firm perceptions.

## Overview of the Research Methodology

The study adopts a qualitative, interpretivist research approach, employing a combination of case study analysis, sectoral professional observation, and documentary review of regulatory frameworks. A critical case study approach is used to illuminate structural dynamics rather than to generate statistical generalisation. A detailed discussion of the research design, data sources, ethical considerations, and analytical procedures is provided in Chapter 3.

# LITERATURE REVIEW

## Introduction

This chapter reviews and synthesises literature relevant to the study of structural vulnerability among small businesses, with particular emphasis on client concentration risk, market structure, and regulatory influence within trade facilitation environments. The purpose of the chapter is threefold. First, it establishes the theoretical foundations upon which the study is anchored. Second, it critically examines existing empirical findings relating to small firm vulnerability and survival. Third, it identifies conceptual and empirical gaps that justify the present research.

The chapter is organised into four broad thematic areas: small business vulnerability and failure; client concentration and revenue dependency; market structure and competition in low-barrier service industries; and regulation within trade facilitation contexts. The chapter concludes by synthesising the literature and articulating the research gap that informs the study's analytical approach.

## Small Business Vulnerability and Firm Failure

Small businesses are widely acknowledged as engines of economic growth and employment, particularly in developing economies (Beck and Demirgüç-Kunt, 2006). However, the literature consistently documents high failure rates among small firms, often within the first five years of operation (OECD, 2017).

Early explanations of small business failure focused primarily on external constraints, including limited access to finance, macroeconomic volatility, and weak institutional environments (Levine, 2005). In the Zimbabwean context, studies have emphasised hyperinflationary legacies, currency instability, and policy inconsistency as dominant determinants of SME failure (Moyo, 2018; ZEPARU, 2020).

While these explanations remain relevant, they are increasingly criticised for their limited explanatory power in accounting for heterogeneous firm outcomes. Firms operating within the same macroeconomic and regulatory environments often display markedly different resilience trajectories, suggesting that internal structural factors play a decisive role (Storey, 2016).

Recent scholarship has therefore shifted towards structural vulnerability frameworks, which examine how firm-level characteristics such as capital structure, governance arrangements, and revenue composition shape survival outcomes (Altman et al., 2017). This study aligns with this strand of literature by focusing on revenue concentration as a key internal vulnerability.

### **Client Concentration and Revenue Dependency**

Client concentration refers to the extent to which a firm's revenue is derived from a limited number of customers, often dominated by a single client. Financial management literature has long recognised excessive revenue concentration as a source of heightened risk, particularly for small firms with limited financial buffers (Brigham and Ehrhardt, 2020).

Empirical studies in developed economies demonstrate a strong association between high client concentration and increased earnings volatility, reduced bargaining power, and elevated bankruptcy risk (Campello and Gao, 2017; Irvine et al., 2016). These risks are magnified when dominant clients possess superior market power and can unilaterally dictate pricing, payment terms, and contract duration.

However, much of the existing literature treats client concentration as a managerial choice rather than a structurally induced condition. This framing is problematic in contexts where firms operate in saturated markets with limited diversification opportunities. In developing economies, relational contracting, informal agreements, and survival-oriented decision-making frequently constrain firm choice (Granovetter, 1985). Furthermore, client concentration studies disproportionately focus on manufacturing firms and publicly listed entities, with limited attention paid to service-based SMEs operating in regulated but informalised environments. This creates a significant gap in understanding how client dependency manifests in sectors such as clearing and forwarding, where firms are simultaneously subject to strict regulatory oversight and weak commercial protection.

### **Market Structure, Competition, and Low Barriers to Entry**

Market structure theory provides critical insights into the conditions under which client concentration risk emerges and persists. Porter (2008) argues that industries characterised by low barriers to entry, high rivalry, and limited differentiation are prone to margin erosion and strategic fragility.

Service sectors such as clearing and forwarding typically exhibit these characteristics. Entry requirements are relatively modest, capital intensity is low, and services are often perceived as homogeneous. As a result, competition tends to be price-based rather than value-based, leading to fee compression and volume dependence.

Empirical evidence from developing economies suggests that excessive market entry without corresponding demand growth leads to destructive competition, where firms

prioritise short-term survival over long-term sustainability (Ayyagari et al., 2011). In such environments, securing a single high-volume client becomes a rational response to structural constraints rather than an irrational managerial error.

The Zimbabwean clearing sector exemplifies this dynamic. Licensing frameworks administered by the Zimbabwe Revenue Authority (ZIMRA) emphasise procedural compliance but do not regulate market entry volume or promote consolidation. This has contributed to market saturation, intensifying competition and reinforcing dependency on dominant clients.

### **Regulatory Frameworks and Trade Facilitation**

Trade facilitation literature traditionally focuses on reducing transaction costs, improving border efficiency, and enhancing compliance (UNCTAD, 2016; WTO, 2017). Clearing agents are positioned as intermediaries who translate regulatory requirements into operational compliance, thereby enabling cross-border trade.

In Zimbabwe, clearing agents operate under the Customs and Excise Act (Chapter 23:02), which governs licensing, accountability, and sanctions. While this framework is effective in safeguarding revenue collection, it largely treats clearing firms as interchangeable compliance units rather than as commercial entities requiring sustainability.

Regulatory theory distinguishes between compliance-based regulation and developmental regulation (Ayres and Braithwaite, 1992). The former prioritises rule adherence, while the latter incorporates market health and institutional resilience considerations. Zimbabwe's clearing sector is predominantly regulated through a compliance-oriented lens, with limited attention to commercial risk exposure.

This regulatory orientation may inadvertently exacerbate firm vulnerability by encouraging entry without ensuring sustainability, thereby intensifying competition and reinforcing client concentration dynamics. Existing literature has not sufficiently examined this unintended consequence, particularly in African trade facilitation contexts.

### **Informality, Embeddedness, and Relational Contracting**

Granovetter's (1985) concept of embeddedness provides a useful lens for understanding client dependency in small firms. In weakly institutionalised environments, economic transactions are often embedded in social relationships rather than formal contracts. While embeddedness facilitates trust and reduces initial transaction costs, it can also entrench dependency and limit exit options.

Studies of African SMEs indicate that relational contracting is prevalent, particularly in service sectors where enforcement mechanisms are weak (Fafchamps, 2004). Such arrangements often lack termination safeguards, notice periods, or enforceable volume guarantees, exposing firms to abrupt revenue loss. In the clearing and forwarding sector, relational entry and client acquisition are common, particularly among former employees who migrate clients from previous employers. While this accelerates firm formation, it embeds structural fragility from inception, a phenomenon that remains underexplored in mainstream client concentration literature.

## **Synthesis of Literature and Research Gap**

The reviewed literature reveals several critical gaps. First, while client concentration risk is well documented, it is predominantly analysed within developed economy and manufacturing contexts, with limited application to service-based SMEs in developing economies. Second, existing studies tend to conceptualise client dependency as a discretionary managerial decision, underplaying the role of market saturation, regulatory design, and institutional weakness.

Third, trade facilitation literature focuses extensively on compliance efficiency while neglecting the commercial sustainability of intermediaries who operationalise regulatory systems. Finally, there is limited empirical work examining how regulatory frameworks may inadvertently intensify structural vulnerabilities among licensed firms.

This study addresses these gaps by examining client concentration risk as a structurally produced vulnerability within Zimbabwe's clearing and forwarding industry. By integrating financial management theory, market structure analysis, and regulatory perspectives, the study provides a contextually grounded basis for the empirical and analytical approach adopted in subsequent chapters.

## **Chapter Summary**

This chapter has reviewed literature on small business vulnerability, client concentration risk, market structure, regulation, and relational contracting. It has demonstrated that existing explanations are insufficient to fully account for persistent fragility among clearing and forwarding firms operating within highly regulated but saturated service markets

# **RESEARCH METHODOLOGY**

## **Introduction**

This chapter outlines the methodological approach adopted to investigate structural vulnerability arising from client concentration risk among small clearing and forwarding firms in Zimbabwe. It explains and justifies the research philosophy, research design, data sources, analytical procedures, and ethical considerations underpinning the study.

The chapter is structured to ensure methodological coherence with the research problem articulated in Chapter 1 and the conceptual and theoretical foundations reviewed in Chapter 2. Given the study's focus on institutional dynamics, market structure, and firm-level vulnerability within a regulated but informalised environment, a qualitative and interpretivist methodological orientation is adopted.

## **Research Philosophy and Paradigmatic Positioning**

This study is grounded in an interpretivist research paradigm, informed by elements of critical realism. Interpretivism is appropriate where the objective is to understand meanings, perceptions, and experiences as constructed by social actors within specific institutional contexts (Bryman, 2016). Clearing and forwarding firms do not operate in a vacuum; their decisions regarding client dependency are shaped by regulatory pressures,

market saturation, and survival imperatives that cannot be meaningfully captured through purely positivist methods. Critical realism further informs the study by recognising the existence of underlying structural mechanisms—such as regulatory design, power asymmetries, and market entry dynamics—that generate observable outcomes, even if these mechanisms are not directly measurable (Bhaskar, 2008). This philosophical positioning enables the study to move beyond surface-level description towards explanatory depth.

### **Research Approach and Design**

The study adopts a qualitative research approach, employing a case study design supplemented by sectoral professional observation and documentary analysis. Qualitative methods are particularly suited to contexts where phenomena are under-theorised and embedded in complex institutional environments (Yin, 2018). A quantitative approach would be insufficient to capture the relational, institutional, and structural dimensions of vulnerability that are central to the research problem.

A critical case study strategy is utilised. Rather than seeking representativeness, the study selects a case that is theoretically revealing and capable of illuminating structural dynamics relevant beyond the immediate context. The purpose is analytical generalisation rather than statistical generalisation.

### **Case Selection and Rationale**

The primary case examined in this study is Heymax Shipping, a small clearing and forwarding firm operating during the period 2011-2012. The firm was selected based on three criteria:

- Extreme revenue concentration, with approximately 91 per cent of income derived from a single client;
- Regulatory compliance, as the firm was licensed and operational under prevailing customs regulations;
- Abrupt client exit, which exposed the firm's structural vulnerability in a clearly observable manner.

This case qualifies as a critical case in the sense articulated by Flyvbjerg (2006): if structural vulnerability manifests under conditions of apparent stability, it is likely to exist more broadly within the sector. The case provides a focused lens through which the dynamics of client concentration risk can be examined in depth. Beyond its analytical suitability as a critical case, Heymax Shipping also reflects a common market entry pathway within Zimbabwe's clearing and forwarding sector. Many small firms emerge after securing a single anchor client through relational networks or prior employment relationships. As a result, firms frequently begin operations with a narrow client base, thereby embedding revenue dependency from inception. The case therefore illustrates structural dynamics that extend beyond a single firm and are characteristic of broader industry conditions.

### **Data Sources and Methods of Data Collection**

Data for the study were drawn from three primary sources.

### ***Reflective Case Evidence***

The study incorporates reflective evidence derived from direct professional involvement within the clearing and forwarding sector. This includes detailed recollection of firm operations, client interactions, and regulatory engagement during the case period. Reflexivity is explicitly acknowledged and managed through triangulation and theoretical grounding. Practitioner-based evidence is recognized within DBA research as a legitimate source of empirical insight, particularly where the researcher possesses direct industry experience that provides privileged access to organizational processes and institutional dynamics.

### ***Sectoral Professional Observation***

Longitudinal professional observation of the clearing industry informs the analysis of market structure, competition intensity, pricing practices, and regulatory enforcement. Such observation is particularly valuable in contexts where formal datasets are limited or unreliable.

### ***Documentary and Regulatory Analysis***

Documentary sources include:

- The Customs and Excise Act (Chapter 23:02);
- ZIMRA licensing guidelines and public notices;
- Reserve Bank of Zimbabwe exchange control regulations;
- Industry reports and policy documents.

These materials provide institutional context and enable analysis of how regulatory frameworks shape firm behaviour.

### ***Data Analysis Procedures***

Data analysis followed a thematic analytical approach, guided by the theoretical frameworks outlined in Chapter 2. Analysis proceeded through the following stages:

- Data familiarisation, involving repeated engagement with case material and documentary sources;
- Initial coding, identifying recurring themes related to client dependency, bargaining power, cash flow vulnerability, and regulatory influence;
- Theoretical mapping, linking emergent themes to established concepts such as client concentration risk, transaction cost economics, and embeddedness;
- Analytical synthesis, integrating findings into a coherent explanatory narrative.

Although the study adopts a qualitative and interpretivist research approach, limited numerical indicators such as revenue dependency ratios are presented in selected tables to illustrate patterns of client concentration observed within the sector. These figures do not

constitute a statistically representative dataset but are analytical representations derived from sectoral observation and case-based evidence. Their purpose is illustrative, supporting conceptual analysis of structural vulnerability rather than enabling quantitative generalization. This process ensured that analysis was both inductively informed by empirical material and deductively anchored in theory.

### **Trustworthiness and Research Quality**

To enhance the credibility and robustness of the study, four criteria of qualitative trustworthiness were addressed (Lincoln and Guba, 1985):

- **Credibility:** Achieved through triangulation of data sources and alignment with established theory;
- **Transferability:** Supported by thick contextual description, enabling readers to assess applicability to other settings;
- **Dependability:** Ensured through transparent documentation of methodological decisions;
- **Confirmability:** Strengthened through reflexive acknowledgement of the researcher's positionality and reliance on theoretical validation.

### **Ethical Considerations**

Ethical considerations were central to the research design. Given the sensitivity of commercial and regulatory issues within the clearing sector, the study avoids naming individual officials or disclosing confidential client identities beyond the focal firm. The reflective nature of the case study raises potential concerns regarding researcher bias. These are mitigated through explicit reflexivity, theoretical triangulation, and restraint in causal claims. The study does not seek to attribute blame but to analyse structural conditions.

### **Limitations of the Methodology**

The study acknowledges several limitations. First, reliance on a single critical case limits statistical generalisation; however, this is consistent with the study's explanatory objectives. Second, reflective evidence may be subject to recall bias, which is addressed through triangulation and theoretical consistency. Finally, the qualitative approach does not quantify the prevalence of client concentration risk across the sector. Instead, it provides depth of understanding necessary to inform future quantitative inquiry.

### **Chapter Summary**

This chapter has outlined the philosophical orientation, research design, data sources, and analytical procedures employed in the study. By adopting a qualitative, interpretivist, and critical case study approach, the research is positioned to generate nuanced insights into the structural vulnerabilities affecting clearing and forwarding firms in Zimbabwe. The next

chapter presents the empirical analysis of client concentration risk. The practitioner perspective adopted in this research provides direct insight into SME operational dynamics and market structure that may not be readily observable through purely external data sources.

## **CLIENT CONCENTRATION RISK AND STRUCTURAL VULNERABILITY IN ZIMBABWE'S CLEARING AND FORWARDING SECTOR**

### **Introduction**

This chapter presents the empirical analysis of client concentration risk among small clearing and forwarding firms in Zimbabwe. Building on the theoretical foundations established in Chapter 2 and the methodological approach outlined in Chapter 3, the chapter examines how reliance on a single dominant client emerges, how it is sustained, and how it translates into structural vulnerability.

The chapter advances the central argument of the thesis: that client concentration among clearing firms is not merely a managerial oversight, but a structurally induced condition shaped by market saturation, regulatory design, and institutional asymmetries. Through a critical case analysis of Heymax Shipping and sector-wide observations, the chapter demonstrates how perceived revenue stability masks latent fragility.

### **Conceptualising Client Concentration Risk in Clearing and Forwarding**

Client concentration risk refers to a firm's exposure arising from dependence on a limited number of customers for revenue generation, particularly where a single client accounts for a disproportionate share of turnover. Financial management literature typically identifies revenue dependence beyond 20-30 per cent on a single client as a risk threshold for small firms (Brigham and Ehrhardt, 2020). In the clearing and forwarding sector examined in this study, concentration levels frequently exceed this benchmark.

Unlike manufacturing contexts where client concentration may reflect strategic supplier integration, in clearing and forwarding it is often a function of market constraint rather than strategic choice. Firms operate in an environment characterised by excess capacity, homogenous service offerings, and weak contractual enforcement, which collectively limit diversification opportunities.

### **Market Entry, Saturation, and the Production of Dependency**

#### ***Low Barriers to Entry***

The clearing and forwarding industry in Zimbabwe exhibits relatively low financial and operational barriers to entry. Licensing requirements administered by ZIMRA under the Customs and Excise Act (Chapter 23:02) focus primarily on procedural compliance, fidelity guarantees, and record-keeping obligations. While these requirements ensure revenue protection, they do not regulate entry volume or market capacity. As a result, the sector has experienced sustained proliferation of licensed agents, even during periods of declining trade volumes. This has produced a structurally saturated market in which competition is intensified without corresponding demand growth.

### ***Competitive Pressure and Fee Compression***

Market saturation has resulted in aggressive price competition. Clearing fees are frequently undercut to levels that are commercially unsustainable, eroding margins and forcing firms to prioritise volume over profitability. In such an environment, securing a single high-volume client becomes a rational survival strategy. This dynamic aligns with Porter's (2008) analysis of highly competitive industries, where firms lacking differentiation compete primarily on price, increasing vulnerability and strategic fragility.

### **Relationship-Based Client Acquisition and Embedded Dependency**

Empirical observation within the sector indicates that many clearing firms are established through relational client acquisition. Entrepreneurs often enter the market after securing a client through personal networks or by migrating a client portfolio from a former employer. While this mode of entry facilitates rapid firm formation, it embeds dependency at inception. The firm's operational systems, staffing, and cash flow structures become tailored to the dominant client, limiting adaptability. Granovetter's (1985) concept of embeddedness is instructive here: economic transactions are socially situated, but excessive embeddedness can constrain autonomy and exit options.

### **Case Analysis: Heymax Shipping (2011-2012)**

#### ***Background to the Case***

Heymax Shipping operated as a licensed clearing and forwarding firm during the period 2011-2012. The firm derived in excess of 90 per cent of its revenue from a single corporate client. This arrangement provided apparent financial stability, consistent workflow, and predictable short-term cash inflows. At the time, the concentration was perceived as commercially rational, given prevailing market conditions and limited diversification opportunities.

#### ***Client Exit and Exposure of Structural Vulnerability***

In September 2012, Heymax Shipping received formal notification via electronic communication that the client was winding up operations and required a final statement of account for settlement. The termination was unilateral, immediate, and contractually unprotected. The firm's revenue base collapsed instantly. With no alternative clients capable of absorbing operational capacity, fixed costs became unsustainable. The episode exposed the asymmetric power relationship between small clearing firms and dominant clients, as well as the absence of institutional safeguards to mitigate exit shocks. This case illustrates how perceived stability derived from client concentration can rapidly transform into existential risk, validating arguments advanced in client concentration and financial distress literature (Altman et al., 2017).

### **Financial and Strategic Implications of Client Concentration**

#### ***Cash Flow Volatility***

Where a single client accounts for the majority of revenue, cash flow stability becomes contingent on that client's payment behaviour and commercial viability. Delays or defaults immediately translate into liquidity stress.

### ***Weak Bargaining Power***

Client-dependent firms are structurally disadvantaged in negotiations. They are often compelled to accept lower fees, extended payment terms, and expanded service scope without commensurate compensation, reinforcing dependency.

### ***Strategic Rigidity***

Operational systems and human capital investments tend to be customised for the dominant client, limiting the firm's ability to pivot or diversify. This reduces competitiveness in the broader market.

### ***Elevated Failure Risk***

In a saturated and contracting economy, the loss of a dominant client frequently results in business closure due to the absence of viable replacement revenue streams.

## **Regulatory and Institutional Dimensions**

The regulatory framework governing clearing agents in Zimbabwe prioritises compliance, accountability, and revenue protection. While these objectives are essential, they do not address commercial sustainability or market structure.

Licensing regimes that permit unrestricted entry without mechanisms to promote consolidation or differentiation may inadvertently intensify competition and client concentration risk. This represents a regulatory blind spot, where formal compliance coexists with systemic fragility.

## **Analytical Synthesis**

Taken together, the empirical findings presented in this chapter indicate that client concentration risk among clearing and forwarding firms in Zimbabwe is structurally produced through the interaction of:

- Low barriers to entry
- Market saturation
- Price-based competition
- Relational contracting
- Compliance-focused regulation

These factors collectively constrain firm choice, rendering client dependency a rational but hazardous response to structural conditions.

## Chapter Conclusion

This chapter has empirically examined client concentration risk as a central source of structural vulnerability within Zimbabwe's clearing and forwarding sector. Through case analysis and sectoral observation, it has shown that dominant client reliance is not an aberration but a predictable outcome of market and regulatory design. While these patterns of client concentration expose firms to significant operational and financial risk, they cannot be fully understood without examining the regulatory and institutional environment within which firms operate. The chapter provides the empirical foundation for the next phase of analysis. Chapter 5 builds on these findings by examining how regulatory architecture and institutional incentives shape market behaviour and firm resilience.

## **REGULATORY AND INSTITUTIONAL ENVIRONMENT SHAPING FIRM BEHAVIOUR**

### Introduction

Chapter 4 demonstrated the prevalence of client concentration risk among small clearing and forwarding firms and highlighted its implications for financial stability and strategic flexibility. Building on these findings, this chapter examines how Zimbabwe's regulatory and institutional environment shapes firm behaviour, particularly with respect to compliance strategies, operational adaptations, and risk mitigation practices. Specific attention is given to the role of the Zimbabwe Revenue Authority (ZIMRA), border management institutions, and trade facilitation frameworks. The chapter argues that regulatory design, enforcement practices, and institutional capacity interact with market pressures to influence firm vulnerability, often reinforcing the risks associated with client dependence.

### Regulatory Framework

#### *Customs and Trade Regulations*

Clearing and forwarding firms operate primarily under the Customs and Excise Act (Chapter 23:02), which defines compliance obligations, licensing requirements, and revenue collection mechanisms. Key regulatory elements include tariff classification and duty schedules, mandatory trade documentation, and licensing and permit requirements, particularly for regulated commodities such as lithium, chrome, and agricultural products. While these regulations are intended to safeguard public revenue and ensure trade compliance, their procedural complexity creates delays and increases transaction costs. As a result, firms are compelled to develop specialised regulatory knowledge and operational systems, placing smaller firms with limited resources at a structural disadvantage.

#### *Sector-Specific Regulations*

Export-oriented activities impose additional compliance burdens. Mining exports are subject to environmental regulations, mineral rights documentation, and export quotas, while agricultural exports must meet stringent sanitary and phytosanitary standards. These sector-specific requirements further constrain operational flexibility and increase administrative costs, amplifying vulnerability among smaller clearing firms.

## **Institutional Environment**

### ***Government Agencies and Enforcement***

Several institutions shape trade facilitation and compliance outcomes, including ZIMRA, the Ministry of Industry and Commerce, and border management authorities. The effectiveness, consistency, and capacity of these institutions directly influence firm behaviour, shaping compliance incentives, operational planning, and risk management strategies.

### ***Informal Practices and Institutional Weakness***

Empirical observations at high-traffic border posts such as Forbes and Beitbridge reveal the persistence of informal practices. These include collusion between clearing agents and officials to bypass inspections, facilitation payments embedded in routine operations, and dual compliance strategies whereby firms simultaneously adhere to formal regulations while relying on informal arrangements to manage delays and uncertainty. Such practices reflect institutional weaknesses that incentivise strategic adaptation, often undermining the intent of formal regulatory frameworks.

## **Impact on Firm Behaviour**

### ***Compliance Strategies***

Firms adopt differentiated compliance approaches, ranging from full compliance driven by risk aversion and reputational concerns, to partial compliance combining formal adherence with informal practices, and in some cases outright non-compliance through exploitation of loopholes or collusion.

### ***Operational Adaptations***

Operational responses include investments in documentation management systems, reliance on experienced clearing agents to navigate regulatory complexity, and optimisation of trade routes to minimise congestion and inspection delays.

### ***Strategic Responses***

At a strategic level, firms adjust pricing and service arrangements with clients, budget for facilitation payments as implicit operational costs, and attempt to diversify trade routes or client bases to mitigate systemic risk.

## **Discussion**

The regulatory and institutional environment presents a paradox. While formal frameworks aim to standardise operations and protect revenue, discretionary enforcement and procedural complexity incentivise informal behaviour. Firm strategies therefore reflect a continual balancing act between compliance, efficiency, and survival in a competitive and uncertain market.

## Conclusion

Zimbabwe's regulatory and institutional environment exerts a profound influence on firm behaviour in the clearing and forwarding sector. The arrangements discussed in this chapter not only shape compliance obligations but also determine how firms adapt under conditions of risk and constraint. These dynamics set the stage for a deeper examination of corruption, informality, and survival strategies in the chapter that follows.

## **CORRUPTION, INFORMALITY, AND SURVIVAL STRATEGIES**

### Introduction

Chapter 5 demonstrated how institutional weaknesses shape firm behaviour within Zimbabwe's clearing and forwarding sector. Building on this analysis, the present chapter examines corruption, informal practices, and the survival strategies adopted by small firms operating under regulatory complexity and intense market pressure. These strategies are particularly salient in the context of high client concentration risk, as established in Chapter 4. Evidence discussed in this chapter is drawn from a combination of sectoral professional observation, practitioner accounts within the clearing and forwarding industry, and publicly reported cases relating to border management practices. The study does not attempt to statistically measure the prevalence of corruption. Rather, it examines how perceived and reported informal practices shape firm behaviour and survival strategies within a complex regulatory environment.

### Forms and Drivers of Corruption

#### *Border-Level Corruption*

Empirical observations and media reports indicate widespread border-level corruption, including payments to avoid physical inspections or scanning procedures. Such payments, sometimes reaching USD 150 per truck, are often normalised through collusion networks involving multiple clearing agents and officials. The absence of effective deterrents has contributed to the entrenchment of systemic corruption.

#### *Structural Drivers*

Corruption is driven by regulatory complexity, which expands discretionary enforcement, institutional capacity gaps such as inadequate monitoring and staffing, and market pressures that compel firms to prioritise speed and client retention over strict compliance.

### Informal Practices Among Firms

#### *Facilitation Payments as Operational Costs*

Many firms incorporate facilitation payments into their operational cost structures, treating them as unavoidable operational expenses. While this approach enhances short-term efficiency, it introduces hidden costs and deepens dependence on informal networks.

### ***Selective Compliance***

Selective compliance is common, with firms adhering to easily monitored regulations while bypassing procedures perceived as excessively costly or time-consuming. Although this strategy improves operational efficiency, it increases legal and reputational exposure.

### **Survival Strategies**

#### ***Client Relationship Management***

To manage dominant client risk, firms negotiate flexible payment terms, offer customised services, and, where feasible, pursue client diversification strategies.

#### ***Operational Adaptations***

Operational survival strategies include route optimisation, reliance on experienced agents to navigate regulatory bottlenecks, and the strategic use of informal networks to maintain continuity.

#### ***Risk Mitigation Measures***

Risk mitigation combines formal and informal approaches, including internal financial controls, strategic alliances for information sharing, and participation in professional associations for advocacy and guidance.

### **Implications of Corruption and Informality**

While these practices enable short-term survival, they generate hidden costs that reduce profitability, distort market competition, and undermine regulatory reform efforts unless systemic corruption is addressed.

### **Discussion**

Corruption and informality function not merely as ethical deviations but as adaptive responses to institutional constraints. Firms continuously balance survival imperatives, client dependence, and regulatory compliance within a high-risk operating environment.

### **Conclusion**

Firm survival in Zimbabwe's clearing and forwarding sector is deeply shaped by corruption, informality, and client concentration risk. Addressing these challenges requires regulatory simplification, strengthened institutional capacity, and enforcement reforms that reduce discretion and incentivise transparent, compliant behaviour.

Taken together, Chapters 4 to 6 demonstrate how client concentration risk emerges empirically, is reinforced institutionally, and is managed behaviourally by firms operating under regulatory pressure.

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## **POLICY IMPLICATIONS AND REFORM PATHWAYS**

### **Introduction**

Chapters 5 and 6 demonstrated that regulatory complexity, institutional weaknesses, and systemic corruption significantly shape firm behaviour, survival strategies, and trade efficiency within Zimbabwe's clearing and forwarding sector. These dynamics reinforce structural vulnerability, particularly for small firms exposed to high levels of client concentration risk. Building on these findings, this chapter presents policy implications and reform pathways aimed at strengthening compliance, reducing firm vulnerability, and promoting sustainable growth within the sector. The proposed interventions operate at three interrelated levels: regulatory reform, institutional strengthening, and firm-level support. Together, these measures seek to address both the structural drivers of informality and the behavioural responses identified in earlier chapters.

### **Strengthening the Regulatory Framework**

#### ***Simplification of Customs Procedures***

Reducing regulatory complexity is a critical first step in lowering compliance costs and limiting opportunities for discretionary enforcement. Policy reforms should prioritise the streamlining of documentation requirements to reduce administrative burden, the adoption of risk-based inspection systems that concentrate enforcement resources on high-risk consignments, and the standardisation of customs procedures across border posts. Greater procedural uniformity would reduce uncertainty, minimise discretion, and weaken incentives for informal payments.

#### ***Clear and Consistent Policy Communication***

Effective regulation requires not only sound design but also clear communication. Regulatory authorities should publish accessible and user-friendly guidelines outlining compliance requirements and procedural changes. Regular industry workshops, conducted in collaboration with clearing agent associations, can improve understanding and foster dialogue between regulators and practitioners.

Importantly, policy changes should be communicated well in advance to allow firms sufficient time to adjust operational systems and contractual arrangements.

### **Institutional Strengthening**

#### ***Enhancing Enforcement Capacity***

Institutional capacity constraints contribute significantly to delays, discretion, and informal practices. Increasing staffing levels at high-traffic border posts would reduce inspection backlogs and processing delays. The deployment of digital inspection tools, scanners, and automated risk assessment systems can further limit discretionary intervention. In addition, rotational assignments for customs officials may help disrupt entrenched collusion networks and reduce familiarity-based corruption.

### ***Anti-Corruption Measures***

Targeted anti-corruption interventions are essential to restoring confidence in border management institutions. Independent and confidential reporting mechanisms should be established to allow firms to report bribery and facilitation requests without fear of reprisal. Performance-based evaluation systems for customs officials, linked to compliance outcomes rather than clearance volumes, can realign incentives.

Regular audits and transparency reviews at border posts would further strengthen accountability.

### **Trade Facilitation and Infrastructure Improvements**

#### ***Border Infrastructure Development***

Infrastructure constraints exacerbate congestion and increase reliance on informal practices. Investment in additional weighbridges, scanning lanes, and cargo holding facilities at key border posts would improve throughput and reduce delays. Designating separate processing lanes for small and medium-sized firms may also help reduce congestion and improve predictability for operators with limited bargaining power.

#### ***Adoption of Trade Facilitation Technologies***

The adoption of trade facilitation technologies can significantly enhance transparency and efficiency. Electronic single-window systems would reduce reliance on physical paperwork and face-to-face interactions.

Real-time consignment tracking can improve accountability across the clearance process, while the promotion of digital payment systems would reduce dependence on informal cash transactions and associated corruption risks.

### **Firm-Level Interventions**

#### ***Capacity Building and Compliance Support***

Firm-level capacity constraints compound regulatory vulnerability. Targeted training programmes on customs procedures, documentation, and compliance requirements can strengthen operational capability. Peer-to-peer learning networks among clearing agents can facilitate knowledge sharing, while financial literacy and risk management tools tailored to client concentration risk can support more resilient business strategies.

#### ***Incentivising Compliance***

Positive incentives can complement enforcement-based approaches. Public recognition of compliant firms may enhance reputation and market access, while reduced inspection frequency for consistently compliant operators can lower transaction costs. Fiscal incentives, such as tax or duty concessions linked to transparent operational practices, may further encourage formalisation and sustained compliance.

## **Integrated Policy Framework**

Effective reform requires an integrated approach that aligns regulatory simplification, institutional strengthening, and firm-level support. Regulatory reforms reduce procedural complexity and opportunities for corruption; institutional strengthening enhances enforcement capacity and limits discretionary abuse; and firm-level interventions improve resilience and strategic adaptation. When implemented collectively, these measures can promote a more transparent, efficient, and competitive trade environment in Zimbabwe.

The integrated policy framework developed in this study highlights the interconnected nature of SME vulnerability in emerging markets. By linking client concentration risk with institutional weaknesses, corruption pressures, and informality, the framework provides a holistic perspective for policymakers seeking to strengthen SME resilience. Rather than addressing these challenges in isolation, the framework suggests coordinated policy interventions targeting market diversification, regulatory transparency, and institutional strengthening.

## **Conclusion**

This chapter has demonstrated that policy reform in the clearing and forwarding sector must be multi-level and coordinated. Regulatory simplification, institutional reform, and targeted firm-level support are mutually reinforcing and essential for reducing operational vulnerability, limiting corruption, and improving trade efficiency. The proposed reform pathways offer actionable guidance for policymakers, regulatory authorities, and industry stakeholders, while directly addressing the structural and behavioural challenges identified in earlier chapters.

This research demonstrates that client concentration represents a critical structural vulnerability for SMEs operating in fragile economic environments. When combined with institutional weaknesses and governance challenges, dependence on a limited client base significantly increases exposure to financial instability and business failure. Strengthening SME resilience therefore requires both firm-level diversification strategies and broader institutional reforms that support fair and transparent market systems.

The key contribution of this study lies in demonstrating that client concentration risk operates within a broader institutional context in emerging markets, where governance weaknesses and informal business amplify SME vulnerability.

## **CONCLUSION AND CONTRIBUTIONS TO KNOWLEDGE**

### **Introduction**

This chapter synthesises the findings of the study, articulates its contributions to knowledge, acknowledges methodological limitations, and identifies areas for future research. The thesis examined structural vulnerability in Zimbabwe's clearing and forwarding sector, with particular emphasis on client concentration risk, regulatory and institutional influences, and corruption-driven survival strategies. By integrating firm-level behaviour with regulatory and institutional analysis, the study provides a holistic account of how vulnerability is produced, reinforced, and managed within a regulated yet informalised trade environment.

## **Summary of Key Findings**

### ***Client Concentration Risk (Chapter 4)***

The study found that small clearing and forwarding firms in Zimbabwe are highly dependent on dominant clients, often deriving the majority of their revenue from a single customer. This dependency exposes firms to acute revenue volatility, weak bargaining power, and operational fragility. While such concentration is frequently perceived as commercially rational in the short term, it significantly heightens failure risk following client exit. Firms adopt client-retention strategies that prioritise continuity over diversification, thereby reinforcing long-term vulnerability.

### ***Regulatory and Institutional Influences (Chapter 5)***

The findings demonstrate that complex customs regulations, discretionary enforcement, and uneven institutional capacity significantly shape firm behaviour. Regulatory frameworks prioritise revenue protection and procedural compliance but do not address commercial sustainability or market structure. As a result, firms adapt strategically to regulatory pressures, often engaging in practices that balance formal compliance with informal navigation of institutional constraints.

### ***Corruption, Informality, and Survival Strategies (Chapter 6)***

The study shows that corruption and informality are not anomalous behaviours but adaptive responses to regulatory complexity, enforcement discretion, and market pressure. Facilitation payments, selective compliance, and reliance on informal networks enable short-term survival and client retention but introduce hidden costs, distort competition, and entrench systemic vulnerability across the sector.

### ***Policy Implications (Chapter 7)***

The analysis confirms that reducing firm vulnerability requires coordinated, multi-level interventions. Regulatory simplification, institutional strengthening, and firm-level capacity support are mutually reinforcing. Isolated reforms are unlikely to succeed unless they address the structural drivers of dependency, informality, and behavioural adaptation identified throughout the study.

## **Contributions to Knowledge**

This study makes distinct and original contributions to theory, empirics, and policy.

### ***Theoretical Contributions***

First, the study extends client concentration risk literature by integrating it with trade facilitation and institutional theory.

While existing research treats client concentration largely as a managerial or financial risk, this thesis reconceptualises it as a structurally induced condition within low-

barrier, highly regulated service sectors. This reframing advances understanding of SME vulnerability beyond firm-level decision-making.

Second, the study contributes to regulatory and institutional theory by demonstrating that regulation is not merely an exogenous constraint but an active force shaping dependency patterns, strategic behaviour, and market structure. In doing so, it challenges compliance-centric perspectives that overlook unintended regulatory effects on firm resilience.

### ***Empirical Contributions***

Empirically, the study provides rare, field-based evidence from Zimbabwe's clearing and forwarding sector—a context that remains underexplored in academic literature. Through critical case analysis and sectoral observation, the research documents how regulatory design, institutional weakness, and market saturation interact to produce predictable patterns of vulnerability among small firms.

### ***Behavioural and Analytical Contributions***

The study advances knowledge on firm behaviour under regulatory pressure by conceptualising corruption and informality as adaptive survival strategies, rather than isolated ethical failures. By linking client dependency, institutional constraints, and behavioural responses, the research offers a more nuanced and realistic account of SME behaviour in developing economies.

### ***Policy and Applied Contributions***

Finally, the study contributes to policy-oriented scholarship by integrating client concentration risk, regulatory architecture, and behavioural adaptation into a single analytical framework. This integrated perspective provides a foundation for designing reforms that enhance firm resilience while maintaining compliance and revenue objectives.

Overall, Figure 7.1 constitutes a novel, trade-focused contribution to SME resilience theory and policy. By integrating customs administration, institutional behaviour, and firm vulnerability into a unified framework, the study advances scholarly understanding of how trade facilitation systems shape SME survival and performance in regulated service sectors.

### **Limitations of the Study**

Several limitations should be acknowledged. The qualitative design limits statistical generalisability; however, this is consistent with the study's explanatory objectives. The focus on small clearing and forwarding firms means that findings may not fully extend to larger enterprises or other service sectors. In addition, reliance on interviews, reflective evidence, and observation introduces the possibility of subjective bias, which was mitigated through triangulation, reflexivity, and theoretical grounding.

## Suggestions for Future Research

Future research could build on this study in several ways. Comparative studies across other service sectors could assess whether similar patterns of client concentration and regulatory adaptation exist. Quantitative analyses could estimate the financial impact of informal practices on firm profitability and survival. Further research could also evaluate the effects of digitalisation and trade facilitation reforms on compliance behaviour, efficiency, and corruption reduction.

## Concluding Remarks

This thesis demonstrates that firm vulnerability in Zimbabwe's clearing and forwarding sector is not accidental but structurally produced through the interaction of client concentration, regulatory complexity, institutional weakness, and corruption. Firms navigate these constraints through adaptive strategies that prioritise survival but often reinforce systemic fragility.

Addressing these challenges requires integrated, multi-level interventions that align regulatory reform, institutional strengthening, and firm-level support. By illuminating these dynamics, the study contributes both to academic knowledge and to practical policy debates on SME resilience, regulatory design, and trade efficiency in developing economies.

## ACKNOWLEDGEMENTS

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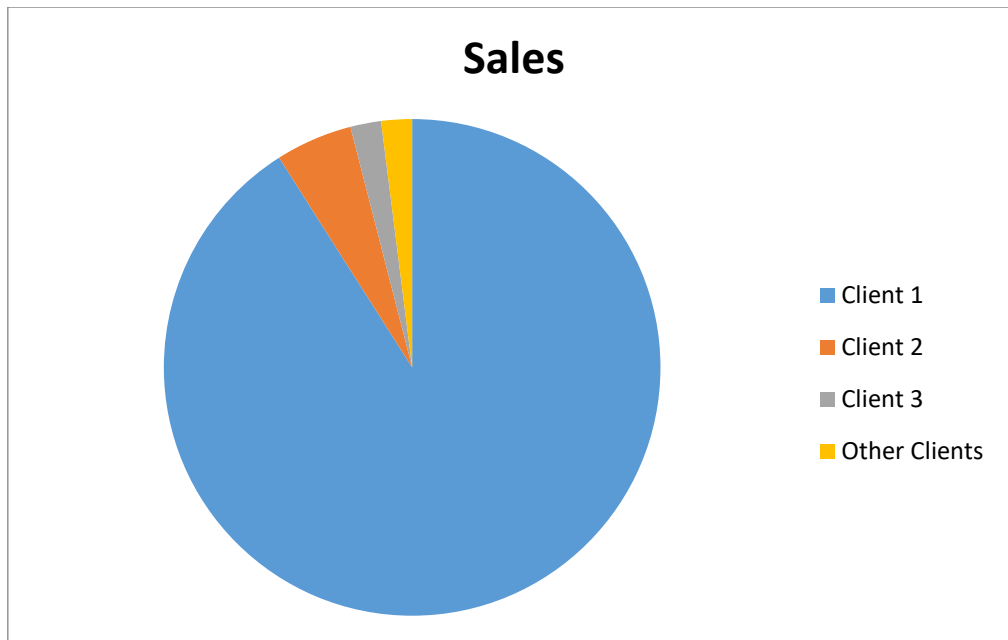
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**Table 4.1: Revenue Dependency Ratios of Case Firms**

Case firm	Sector/core Activity	Primary Client type	Revenue from primary client [%]	Revenue from other clients [%]	Revenue dependency ratio	Dependency category
Firm A	Clearing and forwarding	Large mining conglomerate	82	18	0.82	Extreme dependency
Firm B	Customs brokerage	Retail importer	65	35	0.65	High dependency
Firm C	Logistics and haulage	Government parastatal	74	26	0.74	High dependency
Firm D	Freight forwarding	Regional trading company	48	52	0.48	Moderate dependency
Firm E	Clearing and forwarding	Sme importers [multiple]	31	69	0.31	Low dependency
Firm F	Border facilitation services	Single multinational client	91	9	0.91	Critical dependency

Notes: Revenue Dependency Ratio[RDR] is calculated as: Revenue from largest Client/ Total Firm Revenue, A ratio above 0.60 indicates structural vulnerability, where the firm's survival is closely tied to the continuity of a single client, Firm A and F exhibit critical exposure, making them highly susceptible to regulatory shocks, client relocation, or contract termination- an issue particularly acute in a trade-dependent sectors such as clearing and forwarding, Lower ratios [eg Firm E] suggest greater resilience, revenue diversification, and bargaining power in regulatory and market engagements



**Figure 4.1: Heymax Shipping Revenue Breakdown (2011-2012)**

#### Description

This figure illustrates the distribution of revenue across Heymax Shipping's client base for the period 2011-2012, highlighting the level of client concentration. It provides a visual representation of the Revenue Dependency Ratios (RDR) discussed in Chapter 4. The figure highlights significant revenue concentration, with the top three clients accounting for 98% of total revenue, illustrating the firm's exposure to client-specific risk. Revenue Categories (examples based on typical clearing/forwarding clients):

- Top Client 1 - 91% of total revenue
- Top Client 2 - 5%
- Top Client 3 - 2%
- Other Clients - 2%

**Table 5.1: Licensing Requirements and Market Entry Conditions in the Clearing and Forwarding Sector**

Regulatory institution	Licensing/approval requirements	Key compliant conditions	Cost and time implications	Market entry implications
Customs authority [zimra]	Customs clearing agent license, business registration, operating permits, customs bonds, financial guarantees	Registration as a legal entity, appointment of licensed declarants, compliance history, provision of financial security, company registration, tax clearance, national social security [nssa] clearance, posting of bonds, proof of financial solvency, risk	High initial costs, lengthy approval process, periodic renewals, ties up working capital	Creates a formal barrier to entry, favours established firms with capital and compliance capacity

		based assessments [police clearance], diploma in relevant field		
Border control agencies	Operational clearance at border posts	Adherence to inspection protocols, cooperation with multi-agency enforcement	Uncertain time costs, operational delays	Increases uncertainty for new firms lacking institutional familiarity
Professional / industry associations	Membership and accreditation [where applicable]	Payment of subscriptions, adherence to codes of conduct	Low to moderate costs	Acts as an informal gate-keeping mechanism and source of legitimacy
Municipal and local authorities	Local trading licenses	Compliance with zoning, health, and safety regulations	Low direct costs, but recurring renewals	Minor barrier individually, but cumulative regulatory burden

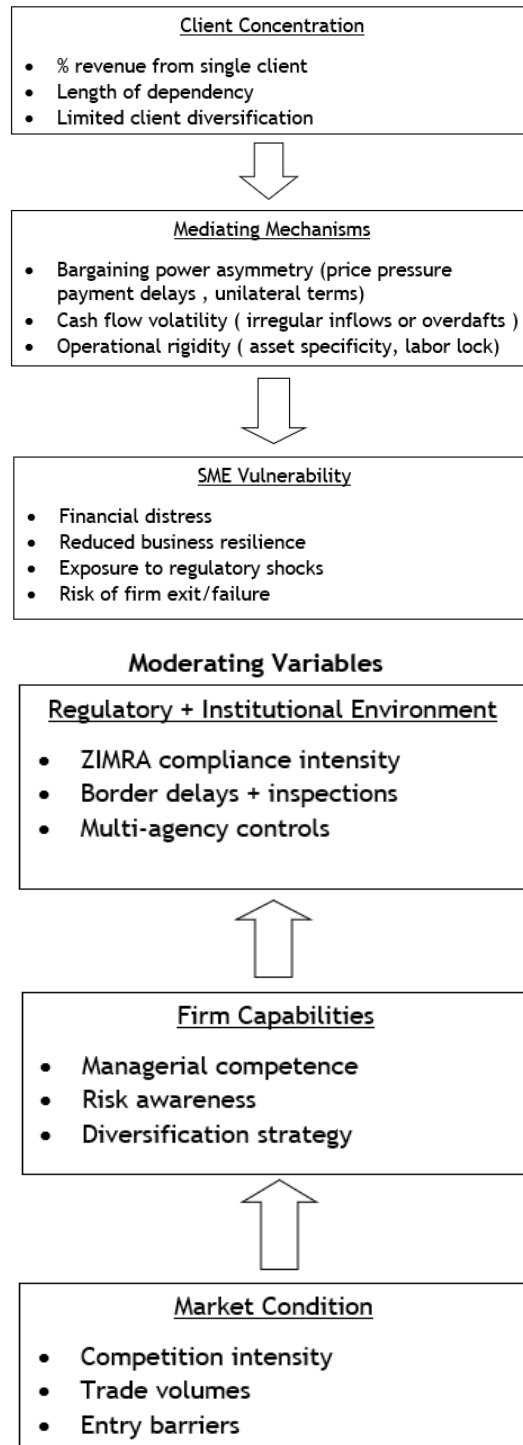
NOTE: Table 5.1 illustrates that market entry into the clearing and forwarding sector is shaped by a layered licensing regime, combining formal statutory requirements with informal institutional expectations. While no single license is prohibitive in isolation, the cumulative effect of financial guarantees, procedural delays, and multi-agency oversight creates a high barrier to entry, particularly for small and emerging firms. The table supports the argument that licensing requirements not only regulate market participation but also structure competitive dynamics, favouring capitalized and institutionally embedded firms while marginalizing new entrants.

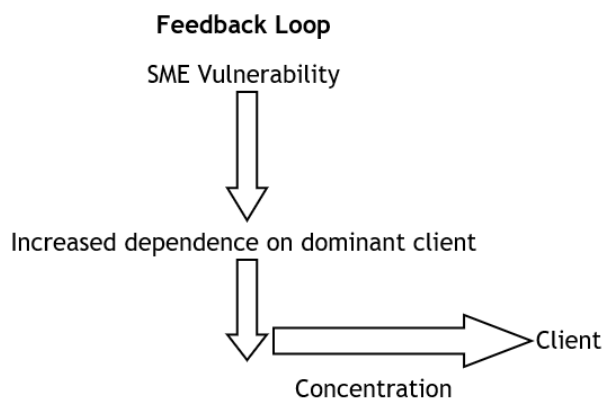
**Table 6.1: Informal Payments and Compliance Observations in Clearing and Forwarding Operations**

Area of interaction	Observed informal practice	Compliance context	Perceived purpose of informal payment	Impact on compliance behaviour	Implications for firms
Document processing	Facilitation payments to expedite file movement	Delays in document verification and release	Speeding up routine processes	Encourages procedural bypassing	Increases operational costs, normalizes non-compliance
Physical examination	Payments to influence examination outcomes	Discretionary inspection decisions	Reduction of inspection intensity	Weakens uniform enforcement	Creates unequal treatment among firms
Cargo release	Informal payments to accelerate release	Congestion and backlog at border posts	Avoidance of prolonged delays	Shift focus from compliance to negotiation	Heightens dependency on personal networks
Penalty assessment	Negotiated informal settlements	Ambiguity in penalty application	Reduction or avoidance of penalties	Undermined deterrence effect	Distorts risk assessment and compliance planning
Border queue management	Payments for queue prioritization	Limited infrastructure and high traffic volumes	Preferential positioning	Penalises compliant firms	Reinforces perceptions of unfairness

Inter-agency coordination	Informal inducements across agencies	Overlapping mandates	Harmonising contradictory directives	Substitutes formal coordination mechanism	Entrenches informal governance structures
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Analytic Framing Note: Table 6.1 summarises observed informal practices reported by respondents within the Clearing and Forwarding sector. These practices are interpreted as adaptive responses to regulatory complexity, enforcement discretion, and operational uncertainty, rather than as isolated acts of misconduct. The Table supports the broader argument that informal payments function as a parallel governance mechanism, shaping compliance outcomes and firm behaviour.





**Figure 2.1: Conceptual Framework of Client Concentration Risk**

Fig 2.1: Illustrates the conceptual framework linking client concentration to SME vulnerability. The framework demonstrates how over-reliance on a single dominant client affects firm outcomes through mediating mechanisms of bargaining power asymmetry, cash flow volatility, and operational rigidity. The relationship is moderated by regulatory and institutional conditions, firm-level capabilities, and market dynamic. A feedback loop highlights how vulnerability may further entrench client dependency, creating a self-reinforcing risk cycle.

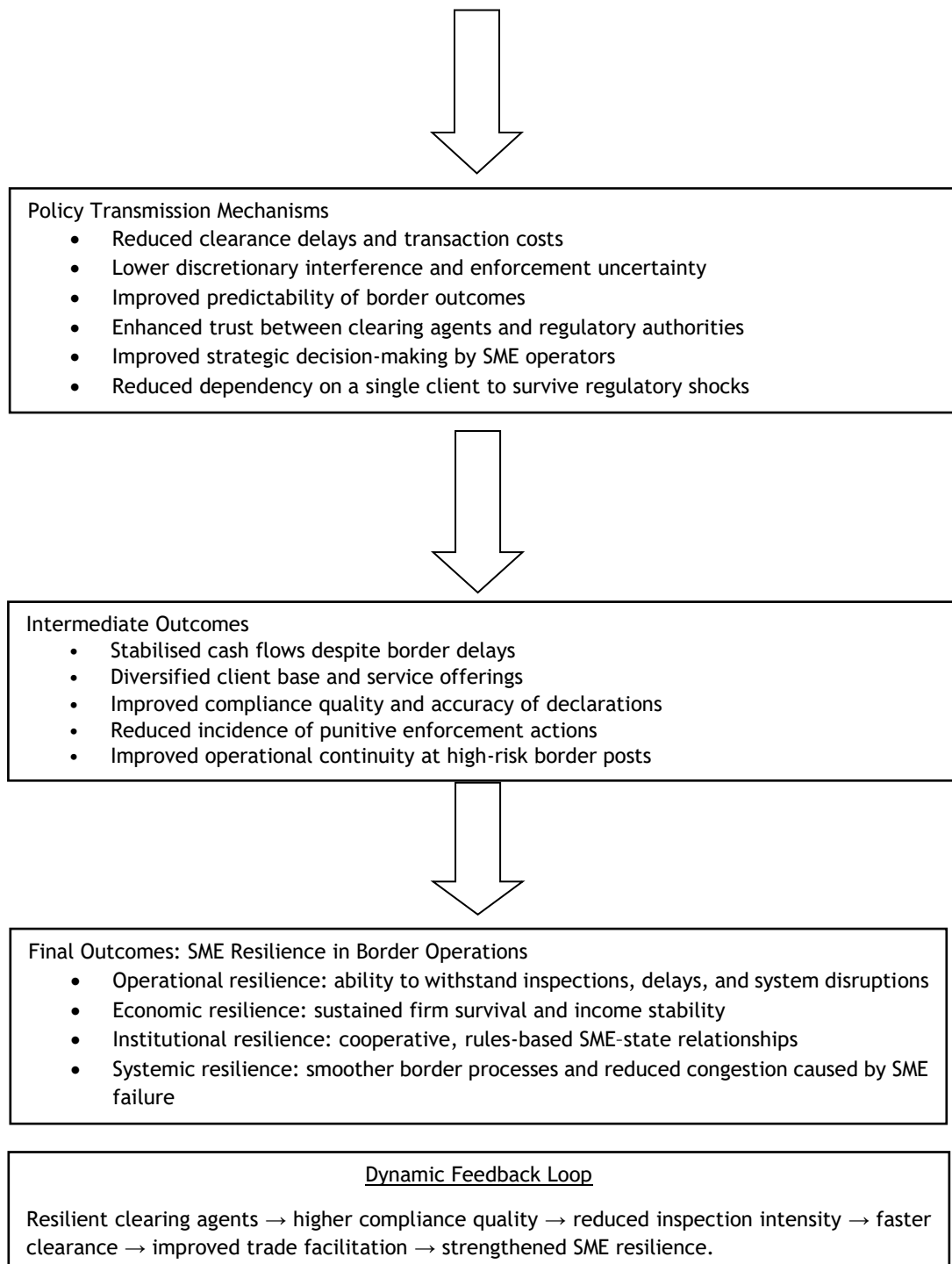
#### Core Policy Challenge

Structural vulnerability of clearing and forwarding SMEs arising from:

- Over-reliance on a small number of dominant importer/exporter clients
- Regulatory rigidity and discretionary enforcement
- Fragmented border agency mandates (Customs, ZACC, Border Control, Security, Standards)
- High compliance costs, delays, and uncertainty in clearance processes

#### Targeted Policy Reform Pillars (Inputs)

1. Customs and Regulatory Reform
  - Risk-based cargo selectivity and inspections
  - Reduction of repetitive physical examinations
  - Standardisation of valuation, classification, and post-clearance audit practices
  - Predictable penalties and appeal mechanisms
2. Border Institutional Coordination
  - Integrated Border Management (IBM) frameworks
  - Clear escalation and decision-making authority across agencies
  - Joint inspections and shared risk profiles
  - Elimination of post-clearance re-examination orders without procedural justification
3. Market and Financial Support for Agent
  - Incentives for client portfolio diversification beyond single dominant traders
  - Access to working capital to absorb clearance delays and penalties
  - Formal recognition of clearing agents as trade facilitation partners
  - SME-inclusive logistics and transport contracting frameworks
4. Capability and Professional Development
  - Training in customs risk management and compliance strategy
  - Digital literacy (ASYCUDA, e-tracking, pre-arrival processing)
  - Business continuity planning and client concentration risk management
  - Professional accreditation and ethical standards enforcement



**Figure 7.1: Policy Reform Pathways for SME Resilience in Clearing and Forwarding Operations**

Figure 7.1 illustrates policy reform pathways for enhancing the resilience of clearing and forwarding SMEs operating within multi-agency border environments. The framework demonstrates how coordinated regulatory reform, institutional integration, market support, and capability development interact to reduce client concentration risk, regulatory uncertainty, and operational vulnerability, thereby strengthening long-term SME resilience and trade facilitation outcomes.