

Problems and Competitive advantages in adapting Supply Chain Management by SMEs in Tanzania

Mr Marwa Samwel J
MBA31123
samuelmarwaj@gmail.com

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Abstract

Small and medium enterprises (SMEs) have been contributing much to the economy of the world. Over the years SMEs have been playing an important role in income generation, minimizing centralized economic power, mobilizing idle money and employment opportunities in Tanzania. In order for these SMEs to achieve their objectives, they have been in collaboration with other entities all over the world, The Supply chain, to make goods available to the final consumers. However Supply Chain management in Tanzania for a long time has been managed by individuals with minimum business skills, insufficient initial capital, surrounded by high speed in technological changes and a changing business environment from socialism to free market economy. A particular aim of this paper is to identify supply chain management (SCM) problems and competitive grounds that are available to improve the standard of SCM in Tanzania.

Keywords: Small and Medium Enterprises (SMEs), supply chain, Supply Chain Management (SCM), competitive advantage.

1.0 Introduction

Many studies have concluded that the effective supply Chain Management within the SMEs is a vital aspect in making the SMEs both productive and profitable. Calipinar (2007) argued that an SME can be self efficient if it applies effective supply chain Management. GFP (2005) added that the SMEs contribute high percentages of the world economy growth by participating in the global chains. The point that has to be taken here is that every product that is used by a final consumer has passed through a number of organizations (the chain). Since 1980, Tanzanian SMEs have been engaged in a free market economy where they face a stiff competition between them and the Multinational Corporations. In order for these SMEs to develop they have to be competitive in price, quality of goods they produce, delivery requirement and after sale services to customers.

This paper borrows and builds on Hamisi (2011) study, which was studying the Challenges and opportunities of Tanzanian SMEs in adapting supply chain management. However, Hamisi's study forgot that, the unplanned ordering costs also may add unnecessary huge costs to the SME and hence be a threat to reduce profitability (Brigham & Houston 2006). The challenges that were discussed by Hamisi (2011) were high inventory levels; complexities associated with global sourcing and outdated technologies. Hamisi observed the competitive advantages that are available to the Tanzanian SMEs which are greater alertness in responding to changes in technology, less bureaucracy, strong desire for success by entrepreneurs, shorter time to market the products, low labor costs and lower cost customized services. This paper adds three additional problems and one opportunity which are going to be discussed shortly. The three added problems are insufficient capital, unsound working capital and the dark side entrepreneurs. One competitive advantage that is added is the availability of abundant cheap land.

2.0 What is Supply Chain Management

Supply chain management (SCM) is the management of a system of interrelated businesses which are involved in the supply of products and services to the end consumers. It involves movement and storage of raw materials, work-in-progress, stock, and finished goods from point of origin to point of consumption (Harland, 1996)

3.0 Insufficient Initial capital

Capital is an initial investment in money the entrepreneur uses to run his business. It is the money used by entrepreneurs and businesses to buy what they need to make their products or provide their services or products to that sector of the economy based on its operation (<http://en.wikipedia.org>). The writer of this paper is in the view that the SMEs in Tanzania need sufficient capital to be in a position to meet the needs of their customers. Many SMEs in Tanzania experience shortage of capital and leave market demands unmet. For example the marching- guys sale limited amounts of products to their customers leaving them dissatisfied because you may find the customer is in need of something the marching guy does not have.

The Financial Sector in Tanzania has to make good environment for these entrepreneurs to access

enough money for their started ventures. Lending rates have to be amended to be friendly to the borrowers.

4.0 The Dark Side Entrepreneurs

The dark side entrepreneurs are the businessmen who apply the business skills to run illegal and hazardous business in the society (Buttner, 1988). Osbourne, (1991) recognized dark side of entrepreneurship as, the shameful power of ownership, the practice that uses the entrepreneurship skills and theories to run illegal business. Dark entrepreneur expect demand for their products, profits for their products and they can calculate the profitability ratios as the common legitimate business man does. Dark side entrepreneurship is unethical and it brings harm and losses to Tanzanian. For example imagine a consumer who buys fake substandard packed food. The consumer may lose both his money and life. Fake and substandard products have been a disaster to Tanzanian. People are losing money and are disappointed. In addition a number of researchers have examined the dysfunctional aspects of entrepreneurship and pointed out that the Dark Side of entrepreneurship exists (Kets de Vries, 1985).

Businessmen need to make sure that they escape this kind of business and abide by the laws to produce products that have already been checked for their standards.

5.0 Unsound working capital Management

Most of the SMEs in Tanzania are poor at managing their working capital. Nyabwanga et al. (2012) pointed out that on average the managers of SMEs enterprises rarely prepare cash budgets, invest surplus idle money to get more profits and they have a limited knowledge on how to manage working capital effectively.

Working capital Management involves management of current assets and current liabilities like inventory, Receivables, cash and payables. It refers to how much liquid assets the entity has available to run its operations in terms of meeting short term obligations (Lamberson, 1995). If the entity has unplanned levels of the mentioned items it may increase costs. If cost is increased then the utility of the final consumer is diminished. Profitability of the respective venture also is minimized.

The entrepreneurs of Tanzania are advised to make sure that these aspects of working capital management, especially debtors and creditors, are taken care of in order to maximize the utility of all the stake holders to their businesses.

6.0 Abundant cheap Land

Land is one of the factors of production without which nothing can be produced on the earth (<http://glossary.econguru.com>). Tanzania still has land which is not utilized. If investors from both abroad and internal can make use of it, the cost of production will be minimized and the profitability ratios to increase. The Gross Domestic Product of the country will go up and the level of unemployment will be minimized.

The thing which needs to be done is for the government not to make contracts that are not beneficial to Tanzanians. It is important to consider the possibility of producing final goods in Tanzania. This will help in strengthening the Tanzanian Currency because exports will increase and the citizens will decrease the needs for imports of goods from abroad

7.0 Conclusion

In concluding, the paper advises the citizens of Tanzania, especially business men, to take advantage of using abundant productive Land to be more competitive to compete with the multinational Organizations. Both prospective entrepreneurs and current entrepreneur need to have business skills to address the problems of unsound working capital management. The government of Tanzania has to make sure it puts better business environment to encourage investors from abroad.

Business Ethics is very important for Business people. The paper advises the business people to be engaged in legitimate business and sale quality products that are not dangerous to the final users.

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