

COORDINATION AND GOVERNANCE IN FOOD PROCESSING SUPPLY CHAINS IN TANZANIA: CONSTRAINTS AND STRATEGIES

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Introduction

As firms increasingly externalize some non core activities, management of upstream and downstream processes and its dynamics becomes of prime importance for firm success. This externalisation of the otherwise traditionally internalised operations has forced managers to pay more attention on both linkage processes in order to deliver quality products and operate in a cost effective manner. This is particularly important in food processing industry which by nature of the business is subjected to many stringent quality and safety standards and regulations. The increased emphasis on linkages has implications on how managers coordinate their internal activities with those of their suppliers and customers. Consequently the role of interfirm linkages has received great attention in recent academic inquiry. Viewed from the theoretical lenses of coordination and institutional theories (viz, networks, Resource based View (RBV), resource dependency and transactions cost economics (TCE), and drawing on the supply chain risk management and strategy literature, this paper explores the constraints faced by owners/managers of food processing firms in Tanzania, a country known for its fragmented value chains. We also examine their strategies in the coordination and management of these supply chains that enable them to gain better control over production in order to guarantee quantity, quality and value addition to their products, and subsequently firm success. While many scholars have focussed on causes of supply chain disruptions, vulnerability and performance implications, little has been done on strategic responses to supply chain deficiencies and disruptions (Bode *et al* 2011), particularly when it comes to developing country organizations, where the disruptions are severe. Theoretical studies examining the above issues suggest that understanding the broader context of supply chain management and coordination within which manufacturing firms operate is vital in understanding their responses to market pressures and disruptions. The primary focus of such research has been on the nature of the relationships among the various actors involved

in the chain, and their implications for business development which engenders the need for some degree of governance or co-ordination at any point in the chain (Humphrey and Schmitz, 2002),.

Agro processing which encompass food processing has been growing over the years, making it the dominant industry in Tanzania spreading across the country with a number of sub-sectors that include, fish processing, diary, grain milling, coffee and tea, edible oils etc. In 2008, agroprocessing value addition registered 55.6 percent of the whole manufacturing sector in the country (IIDS, 2011). Exports from the subsector, especially milled flour and processed fish are recognized as one of the sources of growth of the Tanzanian economy. Flour and processed fish exports for example, grew from US\$2 million in 1997 to US\$43 million in 2010, and US\$53 million in 1997 to US\$133 million in 2010 (Sutton & Olomi, 2012).

Our paper focuses on fish processing and diary subsectors. Available literature has revealed that the nature of the industrial sector plays a role and affects firm upgrading prospects (Giuliani, et al, 2003) While fish processing is very export orientated, which earns the country substantial foreign exchange, diary products are mainly for domestic market, where there is still huge demand gap. Export markets for fish especially the Nile Perch span from a number of European countries (such as Germany, Netherlands, Spain, Italy, etc) to Australia, Japan, and the Middle East. Therefore, a study of the governance structures and coordination of supply chains involving these sub sectors will provide policy insights on what needs to be done to realize higher value addition and upgrading. In the context of a developing country like Tanzania, support actors that include the government and the lead processing firms is critical for upgrading and development of a competitive value chain as well as a successful and sustainable business. More specifically addressing the challenges inherent on the supply side which by the nature of the two subsectors (fish processing and diary) involve small holders and artisanal fishermen, is not only pertinent for creating sustainable and successful value chains in food processing, but is also critical for poverty alleviation and rural livelihoods. Comprehensive empirical studies, with strong theoretical grounding that examine the above issues at this level are lacking in Tanzania.

While it may be important to examine the whole supply chains of the selected subsectors, our study chooses to focus on upstream linkages which, in our view, play crucial role in food processing, and in particular, the fish processing and diary production, in terms of ensuring that the finished products

meet the quality and safety standards requirements in both domestic and foreign markets. The fish processing firms particularly face stringent quality and hygienic requirements, as well as stiff competition in the European markets.