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Challenges and opportunities of Tanzanian SMEs in adapting supply chain management

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Around the globe, Small and Medium Enterprises (SMEs) have acquired a significant and pivotal position in the entire economic development process. Over the years, this sector had played a critical role in developing Tanzanian economy through creation of employment opportunities, income generation, equitable distribution of income whence contributing towards poverty alleviation. However, this sector suffers a number of challenges in domestic and global market competition, though, varieties of opportunities in adapting supply chain management exists. In today's context of fast changing and dynamic economy and dominance of global supply chain systems, the SMEs in Tanzania, besides facing traditional hardships in finance, they misalliance the phenomenon of supply chain management thus fails to find proper place in the domestic and global supply chain leaving TNCs and MNCs to have a greater dominance. As Tanzania's economic policy is about-turn from socialism and self-reliance towards capitalism, SMEs are strangled in a 'wait and see' position as global supply chain bandwagon continue to wheel with supersonic speed leaving them fragmented and wither day after day, without participatory confidence and assistance. A particular concern of this paper is to identify challenges and opportunities for Tanzanian SMEs in adapting supply chain management.

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

INTRODUCTION

Since the beginning of social and economic reform in the late 1980s, Tanzania had transformed itself from socialism and self-reliance, "Ujamaa na Kujitegemea" economy into market economy, necessitating economic liberalisation and globalisation to be regarded as legitimate objects of attention. Be that as it may, it is quite clear that Tanzanian small and medium enterprises (SMEs) have to dance to the tune of global economic waves, and this resulted from increased competitive pressures from different angles of the world. This structural shift in the Tanzania economy greatly expose SMEs to face fierce national, regional and international competition from large enterprises, particularly, trans-nations companies (TNCs) and multi-nation companies (MNCs), whilst required to improve competitiveness and operating efficiency so as to withstand business turbulence.

In a bid to enhance competitive advantage, Tanzanian SMEs can seek ways to reduce costs, improve efficiency

and customer services through efficient supply chain management. Calipinar (2007) observed that SMEs can become self-sufficient and get stronger if they implement supply chain management. GFP (2005) cemented that SMEs provide an effective tool for economic growth through participation in global supply chains. ECA (2000) admitted that, their flexibility and adaptability promise their success in global trade, SMEs can achieve that if only they are competitive in terms of price, quality of goods and are able to meet delivery requirements. Nevertheless, to manage globally the supply chain effectively, Tanzanian SMEs must understand exactly what challenges and opportunities to be faced as they implement workable strategy. The economic imbalances and turmoil for SMEs in Tanzania has its roots in colonial economy, as once Kwayu (2006) pointed that, most of Tanzanians were forced into informal sector economic activities and a large segment of the formal economy was in the hands of colonial rulers and settlers, hence denied

opportunities to participate fully in economic activities. The history of SMEs in Tanzania had long been agonised, as excavated by Müller (2005) that the Germans colonialists at the end of 19th Century forbade local blacksmithing in Tanzania, though they have a long history of technical competence and skills, because they would be able to produce guns! After her independence in December 9, 1961, a lot of efforts were done so as to improve socio-economic development, thus, (Tax-Bamwenda and Mlingi, 2005) in 1967 Arusha Declaration was introduced focusing on promoting public ownership of commanding heights of the economy covering production and distribution of wealth recording achievements in primary education, health services delivery as well as water supply and sanitation.

In 1992, there was economic policy about-turn, Arusha declaration was reviewed and the so called Zanzibar declaration was inaugurated institutionalising market economy. From there onwards, a series of socio-economic reforms, strategies and policies were formulated (The list is long but includes: Structural adjustment programme; economic recovery programme I and II; national economic survival programme; vision 2025; poverty reduction strategy; national strategy for growth and poverty reduction (MKUKUTA); Business Environment Strengthening Programme for Tanzania (BEST); strategy to formalize properties and business in Tanzania (MKURABITA) e.t.c.. This was striking differentiation in national paths of systematic and developmental change termed another surprise and puzzle for the transition economy with its uniform initial strategy and its underlying notion of convergence towards an idealised normative model of market economy.

Despite all efforts, Tanzanian SMEs are weak and unable to stand at ease with MNCs and TNCs in national, regional, and global competitive markets. Policy and approaches of harmonising, culturising, and diversifying SMEs is tantalising since the content of the concept of amalgamating and moulding of socialism and self-reliance to market economy is unclear not only to small business entrepreneurs but also to policy-makers and the previous studies are very scarce and possibly vacant. Once Mwalimu (1998) cautioned that, the present generation of leaders have not only to deal with the effects of the economic realities about which most of us knew very little, they have also to do so when the expectations of the people are higher than the general understanding of what is happening and why. Henceforth, this paper spotlight challenges and opportunities for Tanzanian SMEs in adapting supply chain management as a measure of counterbalancing market economy policy.

WHAT IS SUPPLY CHAIN MANAGEMENT

Supply chain management has become a growing interest in the industry due to the fact that it looks beyond each entity to the linkages between each entity (Cho and

Kang, 2001). Supply chain management has become increasingly crucial due to fewer companies being vertically integrated, increased competition, the increased realization of the effect that one entity has on the entire supply chain, greater emphasis on flexibility, and the need to produce new products more quickly (Lummus, 1999).

However, the concept of supply chain management is based on two core ideas. The first is that practically every product or service that reaches an end user represents the cumulative effort of multiple organizations. These organizations are referred to collectively as the supply chain. The second idea is that while supply chains have existed for a long time, most organizations have only paid attention to what was happening within their "four walls". Few enterprises understood if much less managed, the entire chain of activities that ultimately delivered products or services to the ultimate customer will result into disjointed and often ineffective supply chains.

According to council for logistics management (1998), supply chain management (SCM) is the systemic, strategic coordination of the traditional business functions, and the tactics across these business functions, within a particular company and across businesses within the supply chain for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole.

Mentzer (2001) define SCM as a systemic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole Supply chain management (SCM), then, is the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage. It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective and efficient ways possible. Supply chain activities cover everything from product or service development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities.

The enterprises that make up the supply chain are "linked" together through physical flows and information flows. Physical flows involve the transformation, movement, and storage of goods and materials. They are the most visible piece of the supply chain, but just as important are information flows. Information flows allow the various supply chain partners to coordinate their long-term plans, and to control the day-to-day flow of goods and material up and down the supply chain. As highlighted by Gereffi (1994), global supply chains have three main dimensions:

1. The input-output structure consists of a set of products or services that are linked together in a sequence of value-adding activities.

Table 1. Categories of SMEs in Tanzania.

Category	Employee	Capital investment in machinery (Million Tshs)
Micro enterprise	1-4	Up to 5
Small enterprise	5-49	Above 5 to 200
Medium enterprise	50-99	Above 200 to 800
Large enterprise	100+	Above 800

Source: Tanzania Small and Medium Enterprise Development Policy, 2002. In the event of an enterprise falling under more than one category, then the level of investment will be the deciding factor.

2. A territoriality structure consists of dispersed or centralized distribution networks that are made up of different types of entities.

3. The governance structure consists of the financial, material, and human resources that are assigned and flow along a supply chain.

SMEs OUTLOOK

There are several reasons which make the enterprise small and make it different from other enterprises. Although the identification of these enterprises may be problematic and there is no precise and universally accepted single definition of SMEs. Different countries use various measures in defining the SMEs according to their level of development. The commonly used measures are the total number of employees, sales turnover, size of the premises as well as the profitability of the enterprises (Masum and Fernandez, 2008).

SMEs in Tanzania

According to Calcopietro and Massawe (1999), the term “SMEs” is usually adopted to contrast this sector with large business, thus as a consequence of the co-existence of formal and informal activities in Tanzania, the SME sector is highly diverse, with structures, problems, growth potential and access to support differing widely between segments. Narain argued that, world over, small and medium enterprises (SMEs) sector had acquired a significant and pivotal position in the entire development process making significant contribution to the national/global economy, and (UNIDO, 2006) observed that, a recent cross country regression revealed a strong correlation between large SME sector and per capita growth of growth domestic product (GDP). Regarding the contribution of SMEs to economic development, a comparative analysis between Tanzania and China (which consistently utilize centralised planned economy) clearly depict the importance of SMEs in shaping the economic growth and the advantage of economic policy consistency. Tanzania, (Calcopietro and Massawe, 1999) SMEs are estimated to contribute 30 to 35% of the gross domestic product and this growth would

have been higher if the business environment, allow full application and adaptability of SCM because (Polychronakis and Li, 2008), supply chain management is a key for any business success. In essence, SMEs can effectively and efficiently leverage on SCM for greater productivity, greater competitiveness, and ultimately better customer satisfaction within their domain markets that is why a perspective of supply chain landscape in China favoured it as low cost-manufacturing spot and makes it to be a world class participant in global economy with GDP as share percentage of world total of 10.83 in 2007 (Tanzania has only 0.07!) as SMEs signifying contribution of 60% to GDP (Echengreen and Tong, 2005; Pyke et al., 2000; The Global Competitiveness Report, 2008-2009; Aris, 2007).

In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tanzanian Shillings (Tshs) 5 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalised undertakings engaging between 5 and 49 employees or with capital investment from Tshs 5 to Tshs 200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs 200 to 800 million. This had been illustrated in Table 1.

SMEs’ CHALLENGES IN SCM

SMEs plays important role in the Tanzanian economy (Olomi, 2006; Tanzania SMEs Development Policy, 2002). Nevertheless, there are some challenges which plague the SMEs whence hinders from registering its significance contribution in the effective and efficiency application and implementation of SCM. The key challenges in SCM originated from the nature of operating behaviour of SMEs themselves and these include:

High inventory levels

Inventory is the largest single asset on the balance sheet of many SMEs. In fact, SME inventory is seen, globally, as the single most important lever for SMEs to control costs, particularly during weak economic times. The intention of holding excessive high inventory levels in order

to meet a boom-and-burst demand pattern adversely affects net cash flow of SMEs. Hendricks and Singhal (2005) insisted that, on the cost side, most obvious are the cost of holding inventory, which include the capital cost (interest or opportunity) and physical cost (storage costs, insurance, taxes, spoilage, losses, and e.t.c.). Sometimes, SMEs may choose to keep excess inventories, but sudden drop in value is also part of the keeping excess inventory. And in essence, this excess inventories subject the SME to additional liabilities for things such as obsolescence, rework, storage charges, etc. Most of these ultimately end up "written off" and are applied to "overhead", but this eventually raises the overhead rate, which increases costs of doing business, which raises prices, which makes companies less competitive. It really does not matter that much (except for tax purposes) whether costs end up as direct, indirect, expensed, burden, or whatever: they all affect profitability, investment and cost of operations.

Setting customer service levels

In some cases, SMEs struggle to ensure that the right product is available in the right quantities at operational level. Errors and delivery problems can occur and this is not beneficial for any SME's reputation. Some SMEs have targeted specific customer service level, but have been unable to translate their growth plans into improved category performance, largely due to operational inefficiencies. Others suffered as a result of consumer feedback, an indication that the SME outlets seemed to have frequent out-of-stocks, affecting consumer brand image for the SME and increasing lost sales due to out-of-stocks. Therefore, most of SMEs fail to select appropriate level of service for its customers. They should realize that, it is important to make each and every service encounter a positive experience for the customer, focusing on creation and building social bonds with customers. According to Zeithaml et al. (2008), Customer satisfaction is when the outcome of the service matches the expectations. And Grönroos (2000), Kotler et al. (2005) and Zeithaml et al. (2008) agree that customer satisfaction consists of other factors inherent in the service and outside of the service: The service as a product itself, and the other human interactions or influences involved, respectively.

High transportation and logistics costs

Logistics is about creating value: Value for customers and suppliers of the SME, and value for the SME's stakeholders. Value in logistics and SCM is primarily expressed in terms of time and place. Products and services have no value unless they are in the possession of the customers when (time) and where (place) they wish to consume them. It has been noted by UNCTAD (2008)

that many developing countries' firms, especially SMEs, are unable to benefit from the opportunities offered by global value chains because of their low connectivity to global transport networks and their weak productive capacity. According to Arvis et al. (2007), Tanzania, logistics performance index (LPI) ranked 137 in the world out of 150 countries, signifying that higher logistics costs borne by SMEs as a source of missing the opportunities of globalization. There is a link between SME competitiveness and the physical flow of goods, whereby three major areas to be dealt with in order to optimize the flow of goods throughout the logistics chains are: (a) Transportation; (b) Business logistics, and (c) Trade facilitation (Carana 2003; Faye et al., 2003; DCCA, 2008).

In eye-marking the factors involved in the physical flow of goods clearly shows that, analysis and policy options should not be limited exclusively to infrastructure hurdles (infrastructure being considered the hard component of logistics) but should also consider the rules and procedures regulating the services (soft component). Efficient transportation and logistics services contribute directly to improvement of SMEs' national and global competitiveness, and thus facilitate their integration in the supply chain but geographical dispersion of customers across Tanzania can represent high logistical costs for many Tanzanian SMEs. Furthermore, managing in-bound materials that arrives from all over the world adds to the complexity (such as lengthy lead times) and cost.

Complexities associated with global sourcing

The process of speed and flexibility in satisfying customer demands, under constant competitive pressures, requires creative and often complex approaches to managing SME's supply chain that optionalised with globalisation and regional integration process in response to opportunity so as to achieve major performance gains. Market attractiveness and economic openness invites larger and efficient firms who are normally more able to leverage this new opportunities and challenges in domestic as well as across borderless external markets. As strongly admitted by Abonyi (2005) that, because of their size and isolation, individual SMEs are constrained from achieving economies of scale in the purchase of such inputs as equipment, raw materials, finance, and consulting services; are often unable to identify potential markets; and unable to take advantage of market opportunities that require large volumes, consistent quality and homogeneous standards, and regular supply. The resultant new supply chain environment tends to angle SMEs at disadvantaged position compared to large and medium-sized enterprises.

Offering an assortment of products and services to the consumer that is competitive and of value often means SMEs must search the globe for the best possible source at the lowest cost. This means sourcing from around the world, carries the added complexity of lengthy product

lead-times and supplier labour management.

Outdated and/or non-integrated technologies

While it is true that globalisation creates opportunities for SMEs to be effectively involved in global markets, it also poses numerous challenges. Technology-related challenges beset SMEs in disadvantageous position and their access to SCM, and difficulties in adoption of new technology complicate market competitiveness. While flexibility and adaptability promise their success in global trade, outdated technology reduce SMEs competitiveness in terms of price, quality of goods and services, and are unfruitfully able to meet delivery requirements hence fail footing similar to their opponents (UNCTAD, 2003; Majumder, 2004). SMEs cannot ignore the supply chain revolution and remain competitive. Although the outsourcing trend is providing increased opportunities for SMEs, trends toward globalization and increased supply chain integration pose serious challenges.

Competing demands can create difficult technology investment choices for SMEs that participate in multiple supply chains, because (Mbamba, 2009) technology is a moving target. Selecting the right technologies decision can be critical for success. The associated costs of new technologies come early, have a greater probability of occurring, and are generally not easy to adopt. The benefits accrued by large firms especially TNCs and MNCs, including savings and increased business competitiveness, however, come later, may not be fully realized by SMEs, and are sometimes difficult to measure (Wu and Angelis, 2007; Yoon, 2004). Nevertheless, an unwillingness and incapability to invest technologically, take technologically risks, and reposition the SME in response to the evolving business environment may lead to business wind-up. Faced with the simultaneous challenges from large firms with concentrated market power and operating to equally in the same business technological environment, SMEs may feel as though they are being squeezed in a vise. The challenge to the SMEs is to find ways to participate successfully under these conditions.

COMPETITIVE ADVANTAGE OF SMEs IN SUPPLY CHAIN MANAGEMENT

In some occasions of supply chains, large firms possess or have access to sources of competitive advantage that SMEs typically do not. For example, attaining economies of scale requires certain core competences of SMEs, such as the ability to acquire capital to invest in large-scale investments and ability to attain and sustain supply chain networks. But Porter (1985) articulates that, there are five forces that determine the competitive position and the strengths of a company: (1) Negotiation power of

suppliers; (2) Threat of substitute products; (3) Threat of new entrants; (4) Competition with rivals, and (5) Negotiating power of customers. These core competences are more likely to be found in large firms due to several factors that also yield other sources of competitive advantage. These factors give large enterprises more opportunities against SMEs that wish to compete on the same industry and give them a competitive advantage very hard for SMEs to attain. From this, one might wonder why and how SMEs are able to live, since they confront many profound disadvantages in comparison to large firms on the same industry. However, in SCM, there are several explanations for the existence of SMEs and their ability to grow thus providing capabilities that their larger counter-parts do not have or cannot cost-effectively create internally, National Research Council (2000) such as:

1. Greater agility in responding to changes in technologies, markets, and trends;
2. Greater efficiency due, in part, to less bureaucracy;
3. Greater initiative and entrepreneurial behavior on the part of employees resulting in higher levels of creativity and energy and a strong desire for success;
4. Access to specialized proprietary technologies, process capabilities, and expertise;
5. Shorter time to market because operations are small and focused;
6. Lower labour costs and less restrictive labor contracts;
7. Spreading the costs of specialized capabilities over larger production volumes by serving multiple customers;
8. Lower cost customized services, including documentation, after-sales support, spare parts, recycling, and disposal.

But, Chen et al. (2004) recognized that, besides the problems experienced due to structure of SMEs, their integration through supply chains lead to the following benefits:

1. Standardization of production: Advanced quality control, shorter production period, increasing effectiveness;
2. Simplification of supply chain process: Control over suppliers, recovery in process transformation stage, closer relationship with suppliers, increase in supply chain effectiveness, obtaining raw material from suppliers on time;
3. Automation of processes: Reducing errors, obtaining information on time;
4. Recovery in purchase process: Shorter loading-unloading period, faster ordering process, less labor costs;
5. Reducing costs: Reduced risks reduced stock capital costs, reduced unused raw material stocks;
6. Recovery in payment process: Faster payment transactions;
7. Recovery in distribution process: Delivery by logistic

service suppliers on time, shorter delivery period, recovery in distribution management;

8. Development in global competition: Having the opportunity to give orders globally.

Moreover, Chapman et al. (2000) insisted that SMEs have played a significant role in the global supply chain and in the landscape of global business competition. In general, smallness in terms of firm size can help in the agility of the firm, allowing SMEs to be located, responsive and flexible enough to move quickly from one geographical location or business to another, without the accompanying encumbrances of bureaucracy, legislation and regulations that sometimes hinder the smooth transition of the larger established TNCs and MNCs. So, put simply, the advantage for a small firm is that the firm can choose the supply chain it wants to be in. Handfield and Bechtel (2004) vividly regenerate that, as organisations strive to improve operations across their supply chains, they are increasingly recognising that it is not the best single organisation, but the best „supply chains“ that will win the competition!

SMEs' OPPORTUNITIES IN SCM

While the SMEs faces challenges brought on by market economy and globalization, some potential opportunities, when appropriately leveraged, can be used to offset disadvantages and challenges. In particular, a business environment could be created to support the globalized fast follower SCM as an important means of facilitating the evolution of existing SMEs in Tanzania. The frequency with which SMEs manifest a capacity to grow fast and to withstand market competition has, partly as the other side of the same coin, higher failure and exit rates than do large firms. In part, this reflects a “survival of the fittest” process in which SMEs lacking strong entrepreneurial skills or simply in bad market niches do not survive. Generally, being small can be both a blessing and a curse in today's competitive business environment. So, the following are existing potential opportunities for Tanzanian SMEs in adapting SCM.

Leagility strategy

SME's supply chain which is responsive to customer demands and has the capacity to quickly match demand by postponement or through mass customisation has to be agile at the downstream end to quickly respond to customer demand. The efficiency of the supply chain requires the 'agility' to enable it to meet changing market conditions. On the other hand, the 'leanness' of the supply chain focuses on waste elimination from the supply chain in the upstream section. However, due to fierce competition and rising customer demand from the

turbulent and volatile market, companies need to seek competitive advantage not simply by adopting the lean principles but defining and developing other domains to create and accomplish a more balanced approach (Cusumano, 1994). The overall effect is a supply chain which is responsive and lean and this is the best of both the worlds.

The main point is that a supply chain, when viewed in the broad context in which inquest is considering, may be 'lean' (efficient), 'agile' (responsive) or a 'leagile' (mixture of lean and agile). It is this third category of supply chain or leagile supply chains which the current focus of attention are quested. An agile SME on the other hand is market responsive. Christopher (1999) describes an agile supply chain in terms of a supply chain which is virtual, market sensitive, network based and possesses integrated processes. The lean and agile approaches are not two distinct or exclusive supply chain models in SME operations, and are not to be viewed in opposition or isolation of each other. They can coexist if properly managed. The upstream part of the SME's supply chain must be highly streamlined to eliminate all waste from the supply chain while the portion of the chain downstream should be highly responsive and flexible or agile to respond quickly to market signals. When the supply chain is designed in this way, it is possible to harness the best from both types of supply chains. The critical question, however, is where lies the push-pull boundary or the decoupling point which separates the lean processes from agile processes. In manufacturing, it is commonly associated with the strategic stock that buffers the supply chain from changes in customer demand, in terms of both volume and variety (Naim et al., 1999). When SME's supply chain is under control, the decoupling point has to be different under different circumstances depending global customers requirements.

The concept of a 'leagile' supply chain is very relevant in today's highly competitive market conditions as careful designing of the supply chain in accordance with the adoption of 'leagility' would allow a SME to extract maximum benefit from the supply chain. The aim of the leagile supply chain should be to carry in a generic form—that is, standard or semi finished products awaiting final assembly or localization. An effective and leagile SCM for SMEs should have the capacity to respond timely to changes in business goals and customer needs. As global economic buoyancy and downturns alternate, SMEs adopt different business tactics for the two scenarios. Boom periods typically spell abundant demand. Leagility in SMEs have to ensure higher supplies in such periods. Downturns on the other hand are much more challenging for SME's supply chain but Naim et al. (1999) pointed that, the aim is to configure the product as late as possible to allow a considerable element of flexibility and hence customer choice (or customisation) while making the best use of standardised components.

Trust

In the absence of power within supply chain, trust acts as a “silver bullet” to SMEs. Trust, being a vital component for SME’s competitive advantage, is a complex concept having a diverse range of definitions from a variety of disciplines. Some of these covers ideas: On system based trust; institutional trust; calculative trust; trust as social capital competence, contract and goodwill trust, and personnel trust (Kramer, 1999; Coleman, 1990; Williamson, 1985; Zucker, 1986), while Valacich (2003) define trust as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.

Trust is founded upon social or institutional structures in the situation, not on the person, or personal attributes, of the trusted parties (Lewis and Weigert, 1985). It means, it is an institutional property, either in terms of the natural (Garfinkel, 1967) or social/organizational (Shapiro, 1987) situation and includes general faith in human nature (Rosenberg, 1957; Kramer, 1999). In essence, definitions of trust typically include a phrase about feelings of security about, or confidence in, the trusted party (Rempel et al., 1985). Trust is regarded as an important asset in an exchange relationship between supply chain members like SMEs. Dasgupta (1988) argues that trustworthiness is similar to other assets such as knowledge and information. For SMEs, its significance originated from the belief that it can lead to desirable attitudes of commitment and therefore reduces transaction costs associated with contract monitoring and providing safeguards in an exchange relationship. Trust in SCM for SMEs, is considered to be of economic value when it is based on non-contractual, rather than contractual mechanisms. According to Dyer (1997), non-contractual trust such as goodwill eliminates the need for formal contracts, which are costly to write, monitor, and enforce, thus ultimately, it reduces transaction costs.

Collaboration

Collaboration really means working with trading parties to improve the exchange of information, the management of orders, both purchase orders and customer orders, and delivery of shipments. According to Udin et al. (2006), collaborative SCM can be defined as a condition in which all parties in the supply chain are dynamically working together, towards objectives by sharing information, knowledge, risk and profits, which possibly involve consideration of how other partners operate and make decisions, Phillips et al. (2006) resources, rewards and Spekman et al. (1998) responsibilities as well as jointly make decisions and solve problems. Collaborative agreements are built on trust, synergy in strategic intent, the extent to how central the collaborative agreement is to

the overall make-up of the partners’ businesses, and the relative leadership position of the respective parties.

It implies cooperation and some form of alliance between two or more organisations. These are formed for sharing the costs of investments, pooling and spreading of risk, and access to complementary resources. Similarly, firms establish close, long-term working relationships with suppliers and customers who depend on one another for much of their business, developing interactive relationships with partners who share information freely, work together when trying to solve common problems when designing new products, who jointly plan for the future, and who make their success inter-dependent (Spekman et al., 1998). More and more firms are collaborating in the supply chain because of market diversity, competitive pricing and shorter product life cycles. There are a variety of forms of potential supply chain collaboration, which can be divided into two main generic categories. Vertically, collaboration includes external customers, internally (across functions), and with external suppliers. Horizontally, it include collaboration with competitors and with other external non-competitors (Simatupang and Sridharan, 2002; Barratt, 2004).

Explained by Oracle (2005), the latest collaborative planning, forecasting and replenishment (CPFR) model which highlights the collaboration as a continuous cyclic activity where the focus is on collecting and sharing the determinants of supply chain performance that measure success and cover the following tasks:

1. Collaborative planning: All parties should enthusiastically integrate each other to get ready to respond variable requirements from the market;
2. Collaborative forecasting: SMEs, distributors and suppliers in channels with high volume adapt their demand planning processes to incorporate feedback from trading partners;
3. Collaborative replenishment: SMEs, distributors and suppliers that have relied on continuous replenishment planning (CRP) or vendor-managed inventory (VMI) are evolving to collaborative inventory management.

Clustering

The clustering of small and medium-size sector of primary sector in Tanzania dates back as far as pre-colonial era, whereby, most of the Tanzanians in rural areas had been organized in a system of “rules of sociability”, that is, a system where all the local small producers (Ugweno, Engaruka, e.t.c.) concentrate in locality and produce or add value and then sell to the market (TIE, 2006; Aloyce and Doto, 2009).

In its traditional form, SME clustering refers to the process in which geographically proximate producers, suppliers, buyers and other actors develop and intensify collaboration with mutual beneficial. However, in its most advanced form, according to a widely accepted definition

proposed by Porter (2000), a cluster is a geographically proximate group of interconnected enterprises and associated institutions in a particular field, linked by commonality and complementary. Clustering can be formal or informal, in the public or private sector; horizontal or vertical; physical; and even sometimes virtual (Braun et al, 2005). Under this definition, a cluster may incorporate suppliers of inputs, or extend to regular buyer or exporter. It also includes the government institutions, business associations, and providers of business services and agencies that support clustered enterprises in particular fields as product development, technology, marketing information and production process improvement (Tambunan, 2005). One key factor for the cluster success is the specialization of small firms in same or complementary phases of the production process.

Through proximity and networks, firms could be favored by synergies in the value-added chain, market strategies, mutual learning and beneficial specialization. Besides, a cluster encompasses alliances with universities, research institutes, knowledge intensive business services, bridging institutions and customers. Indeed, through cooperation among entrepreneurs, local institutions and government, clusters could enhance competitiveness of enterprises, promoting production modernization and entry into domestic and international markets (Irawati, 2007).

Despite the 2009 global economic crunch, China now is emerging as economic superpower, because it had devoted (Wang and Meng, 2007) the main power to promote the economic development of the small town is a large number of SME clusters, which is based on the township enterprises and the private enterprises, called lump economy, such as "one village one product", "one town one industry" in Zhejiang province. As posited by Bertini, when SMEs working in clusters, are more competitive because:

1. They are focused in terms of business, competencies and resource destination;
2. They develop capabilities and relationships for quick and appropriate problem solving;
3. They are advantaged by collective resources, otherwise inaccessible for them;
4. They work in a stimulating environment, rich of competitive pressure and rivalry, information and examples;
5. They work in a context of trust, in which, even smaller producers, feel protected and respected by the community.

Outsourcing non-core functions

Outsourcing is a strategic and tactical decision used to improve operations and financial performance of business. The phenomenon requires business entities to emphasis concentration on their core activities in order to

increase market share and become more competitive. It is now widely known that to compete effectively, it is essential for business entities to concentrate on what they do best (core competences), and where they can add value. Outsourcing requires a clear understanding of the concept of core competencies. Core competencies are the capabilities of business entity that truly distinguish it from its competitors. In that sense, they are unique capabilities upon which determine the success of the business entities particularly SMEs. Core competencies are what give an organization its clear leadership position as seen by its customers.

Whereby, all remaining activities are termed as non-core, and entrepreneurs will have to analyse if SME is best-in-world at performing these activities. If not, they can explore how on the decision of outsourcing these activities might enable the SME to deliver greater value to its customers at lower costs. In outsourcing the SMEs can register the following benefits:

1. Reduce and/or control operating costs;
2. Improve company focus;
3. Access to additional resources and redeployment of internal resources;
4. Free up resources for other purposes;
5. Accelerate reengineering efforts;
6. Accelerate migration to new technology;
7. Share risks;
8. Enable quicker response to business drivers;
9. Transform capital expenses and fixed assets to more flexible monthly expenses.

WAYS OF ENHANCING COMPETITIVENESS OF SMEs IN SUPPLY CHAIN

Large enterprises-SMEs relationship is the same as organisms in a „symbiotic relationship“ evolve together; each is part of the other's environment, adapting to their environment and benefiting from each other. But in a parasitic relationship, the parasite lives off the host, harming it and possibly causing its death. When there is close proximity between host and parasite, symbiotic relationships can help remove parasites, when careless administered, they may become predator-prey or parasitic relationships over time. So in SCM, Handfield and Bechtel (2004) notified that, the effective unit of analysis is not the enterprise, but the supply chain, and that mathematical equations cannot effectively capture the dynamics that occur within these value systems. SMEs should not view its supply chain members as enemy but rather partners in business. So, the following are the ways of enhancing competitiveness of SMEs in the supply chain:

Assess SME's position

Transformation of the SME supply chain is a journey and

requires a roadmap, or structured approach, on how to approach the targeted destination. The safari should begin with a diagnostic assessment of SME's current supply chain performance, and comparing it to a future-end state. The assessment should also analyze how SME is positioned relative to leading practices of other chain members both within and outside of the SME's industry. As a SME matures through the various stages of a static enterprise model-functional optimization, horizontal process integration, external collaboration, on-demand supply chain-certain characteristics are evident. A diagnostic assessment will help SME to determine its strategic position on the maturity model and help to prioritize initiatives that have the greatest impact on shareholder value and ROI. Based on this assessment of SME's supply chain maturity in terms of processes, organizational aptitude and enabling environments, it can begin to formulate a supply chain vision, mission and strategy.

Develop a strategy for making change

SME strategy should among others, includes the following key steps:

1. Identify its core supply chain differentiators and capabilities, and assess current performance;
2. Determine which functions could be better performed by a partner, and begin to identify these partners;
3. Define the supply chain process components and needs for SME reconstruction;
4. Define the measurement framework, which is aligned with SME objectives, goals, vision and mission. Set targets and thresholds for the key supply chain performance indicators;
5. Evaluate the financial and operational value to be achieved in terms of financial performance and operational performance characteristics such as cycle time, quality and service level attainment. Use modeling tools to simulate end-state financial statements and operational performance criteria;
6. Define the real-time information and connectivity vision, including open and services-based technology architecture, required to support the vision;
7. Prioritize which initiatives will have the greatest impact on growth, operational excellence, ROI and shareholder value.

Create a roadmap to achieve transformation

SME's transformation requires a roadmap that establishes the steps required to achieve the business goals, vision and mission. Each SME's supply chain component had associated performance criteria-both financial (e.g., costs, profit influence) and operational (for example cycle time, quality, service level attainment). The initiatives with the greatest business impact, both financially and

operationally, can be prioritized and implemented with speed and flexibility to bring value to the SME. A transformation portfolio should be created which focuses on identified prioritized initiatives.

Achieve the benefits of a new approach

A new mindset is required for implementing the strategy. The old model of fixed strategy and long implementation times is completely dead. In its place, SMEs are demanding either rapid ROI or a ROI that is self-funding, with a modular approach to its implementation, often involving pilots followed by a scale-up. More scrutiny will be placed on the delivery and tracking of benefits, helping to ensure that benefits flow through to the bottom line and that multiple supply chain initiatives do not "double account" for benefits and overstate the business case, especially in re-inventing information and inventory flows, and process cost reductions. On-demand implementation approaches (for example Gain Sharing, Pay-As-You-Use, and VMI) can provide the impetus to kick-start major transformation programs and generate the change momentum required to build a longer-term objectives, vision and mission.

Conclusion

SMEs are the backbone of the Tanzanian economy, especially in providing employment and maintaining sustainable growth and potential for economic development. One of the constraints to growth of SMEs is adoption of SCM as an effort to strengthen and „leveling the playing field“ with MNCs and TNCs in national, regional, and global competitive market after revitalising the challenges and opportunities aforementioned. Moreover, the SMEs have the necessary wherewithal to improve its situation, not only in terms of their resources, but also in terms of supply chain strategy. However, in light of the above facts and situations, it is possible to conclude and recommend the following:

1. Firms and academic institutions that constitute centres of excellence could provide the critical mass analysis for the economic turn-around process, through highlighting opportunities and challenges facing SMEs;
2. Increasing market competitiveness of SMEs in SCM not only focus specific economic sector perspectives, but also a form of viewing all chain members;
3. The government's strategy in the formulation of large enterprise Vs SME integration is yet to be defined. The government at both central and local level still does not have a coherent strategy on how to foster and develop large enterprises Vs SME linkage policies.

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