The Factors Affecting Supplier Relationship Management in the Food Manufacturing Small and Medium Enterprises (SMEs) in Dar es Salaam Tanzania

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Abstract
The Tanzanian food industry is one of the most critical sectors in the country. Small and medium enterprises (SMEs) are the largest processors of food. Although SMEs mostly deal with processing food, they still face challenges, especially with their suppliers. Though previous researchers have investigated partnership issues in SMEs, little has been reported on the factors that impact the supplier relationships found in food manufacturing SMEs. This study employed a qualitative design where semi-structured interviews with 13 experts were conducted to identify the factors that impede SRM in Dar es Salaam. The findings reveal that poor relationship management, poor storage facilities, poor transportation and inadequate production capacities are the main challenges affecting SRM within these firms. To overcome these challenges, it has been recommended to improve the supplier relationships through being transparent, fostering trust and sharing quality information with the suppliers on time. Furthermore, investment in technology has been recommended to reduce costs and to enhance the information sharing between suppliers and SMEs. Government support is required with regard to financial aid and the improvement in the infrastructure to facilitate the easier flow of goods from SMEs to the customers.

Keywords: Supplier Relationship Management (SRM), Food Processing, Small and Medium Enterprises (SMEs), Supply Chain Management (SCM).

1. Introduction  
1.1 Background of the Study  
SRM is the process where a company interacts with its suppliers. SRM is vital in firms as without effective SRM, it becomes hard for a firm to attain customer responsiveness. SRM plays a significant role in better SCM implementation in organisations. Through SRM, firms can derive numerous benefits. Onyango et al (2015) found that the components of SRM such as open communication and joint decision making positively impact on the internal operational performance of a firm. Oghazi et al. (2016) reported improved supply integration due to effective SRM implementation. Teller et al. (2016) suggests that SRM leads to an increased collaboration between the members of a supply chain which leads to superior supply chains and improved SCM. Academics (Dubey et al. 2019; Li et al., 2019; La Rocca et al., 2019) have also reported increased visibility, reduced lead times and increased customer responsiveness to be other key benefits of SRM. Despite the numerous benefits that have been associated with SRM, the Tanzanian food processing sector seems to be increasingly affected by poor SRM. Previous researchers in the Tanzanian sector have reported SRM issues to be the major challenge preventing effective SCM implementation. For instance, Ruteri and Xu, (2009) highlighted that poor quality raw materials are a major factor that impedes efficient SRM in Tanzania. This is as it prevents the food processors in Tanzania from consistently supplying quality products to customers. This results in the customers preferring imported goods or products from
multinational companies (MNCs). In their study, Katunzi and Zheng (2010) reported that Tanzanian SMEs are reluctant to share information with their partners due to a lack of trust. Similarly, a review by Nkwabi (2019) revealed that SRM in the Tanzanian SMEs is weak due to the poor coordination between suppliers and their focal firms. These researchers have highlighted issues prevalent in SRM in Tanzania. None of these studies, however, have specifically focused on the issues impeding SRM implementation in the food manufacturing SMEs in Dar es Salaam. The aim of this study is to identify the factors that impede effective SRM in Tanzanian food manufacturing SMEs and to provide recommendations on how SRM can be improved.

2. Literature Review
2.1 Definition of SRM
SRM is how firms manage their supplier base to keep the resources flowing in the company (Forkmann, Henneberg, Naudé and Mitrega, 2016). SRM is a strategy-oriented approach in which a firm incorporates information-sharing technologies, cooperation and partnerships with the suppliers to manage their relationships (Lechner and Reimann, 2019). For successful SSRM to take place in an organisation, there needs to be mutual trust, coordination and the sharing of responsibilities among the firm members. Kosgei and Gitau (2016) point out that trust, mutual goals, communication and commitment are important features of effective SRM. The same is supported by Onyango et al. (2015) who suggest that trust, open communication and collaboration with a few suppliers is key when managing long-term supplier relationships.

2.2 Importance of SRM
SRM is important for many reasons as discussed in the following section:

- Visibility in the supply chains: SRM allows the supply chain partners to achieve transparency by fostering trust and the sharing of vital information on time. When SRM is effectively managed in the supply chain, the firm and its suppliers can coordinate better. Moreover, through efficient SRM, a company can monitor and track supplier interactions. These are crucial in supply chain management (Sodhi and Tang, 2019). Recently, the use of blockchains in managing SRM has gained much attention as suppliers and focal companies can interact on time and a company can easily track down defective raw materials supplied by suppliers. This reduces the supply chain risks such as producing defective products (Pournader et al., 2019).

- Reducing lead times: Lead time is measured from when the goods are produced up until they reach the final consumer. Through SRM, companies can speed up production by procuring raw materials on time and speeding up the entire production, which minimises the lead times (Annamalah and Pertheban, 2019). The inefficient management of SSR leads to various supply chain-related issues such as a delay in customer demands. This affects the SCM of the company as they are not able to meet the customer demands and fail to add value for the customers. This further leads to customer retention problems.

- Improving procurement performance: SRM leads to improved procurement performance through close monitoring and collaboration. A company can select a few reliable suppliers from which it procures goods on time to meet the ongoing demands (Rane, Narvel and Bhandarkar, 2019).

2.2.1 Benefits of SRM
Various researchers have documented the benefits of SRM in organisations as shown in Table 1.

<table>
<thead>
<tr>
<th>Author</th>
<th>Benefits of SRM</th>
</tr>
</thead>
</table>
| Teller et al. (2016) | • Supply chain integration.  
                        | • Availability of raw materials. |
| Kharade and Pataskar (2016) | • Reducing the logistical costs  
                                | • Customer satisfaction  
<pre><code>                            | • Decreased lead times |
</code></pre>
<p>| Mukura et al. (2016) | • Procurement performance. |</p>
<table>
<thead>
<tr>
<th>Source: Literature review 2020</th>
</tr>
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Table 1 shows the various benefits of SRM to firms which includes supply chain integration, reducing costs, fostering long-term relationships with their suppliers and improving the procurement performance.

The next section will discuss SRM implementation in SMEs.

**2.2.2 SRM in SMEs**

When compared to large enterprises (LEs), SMEs often find it difficult to maintain long-term relationships with their suppliers. SMEs usually do not take into consideration the importance of reducing SRM risks (Annamalah and Pertheban, 2016). As a result, SMEs are more vulnerable and they tend to fail in the long run due to a failure to prioritise SRM. On the other hand, LEs understand the importance of maintaining better relationships with their suppliers which works in their favour. Most LEs invest in opportunities with their suppliers and mutually share benefits. This is usually not the case in SMEs. SMEs fail to manage SRM due to the numerous issues in their firms. Annamalah and Pertheban (2016) found that Malaysian SMEs are unable to manage SRM due to issues such as poor technology, poor quality materials and late deliveries. Szegedi et al (2019) pointed out that Hungarian SMEs find it difficult to maintain a spirit of cooperation with their suppliers. The same has been reported by Therakorn (2014) who found that the inability to manage SRM is a major obstacle impacting SMEs in Thailand. In Tanzania Katunzi and Zheng (2010) found that Tanzanian SMEs fail to effectively implement SRM due to the lack of trust among the partners. Nkwabi (2019) reported that poor coordination was a major factor impacting SRM in the Tanzanian SMEs.

Although previous researchers have identified SRM issues in the SMEs, there is a dearth of literature in the Tanzanian context, particularly in the food processing sector.

**2.3 The Tanzanian Food Sector**

The Tanzanian food sector is mostly comprised of SMEs engaged in processing products such as confectionery items, tea, coffee, cashew nuts, rice, flour, milk, spices, fruits and vegetables (Mollel, 2015). Despite processing various items, food processing SMEs underperform when compared to MNC’s due to the various challenges that they face such as capital constraints, using outdated technologies, poor facilities and a lack of R and D. Mollel (2015) highlighted that the Tanzanian food processing sector still lags behind as the processing firms in the country fail to produce quality products. A recent study by Nkwabi et al. (2019) pointed out that the food processing sector in Tanzania faces challenges such as technological difficulties, bureaucracy, a lack of raw materials and financial problems.

**3. Research Methodology**

Semi-structured interviews were adopted in this study. In total, 13 supply chain and SCM experts from Dar es Salaam were purposively and conveniently selected to participate in the study. Semi-structured telephone interviews were conducted from October to December 2018. This research design was deemed to be suitable by the researcher as it allowed the researcher to gather information on SRM. This has been previously understudied in the food
processing sector in Tanzania. The 13 informants were found to be suitable as has been suggested by previous researchers Nkwabi (2019) and Dai et al (2019). They also suggest that a minimum of 12 informants is sufficient for a researcher to reach saturation.

4. Findings
In total, 13 interviews were transcribed and analysed in NVIVO. Three themes were generated from the interviews conducted by experts who have been explained below:

- SRM implementation in food manufacturing SMEs in Dar es Salaam
The informants were asked to explain the current implementation of SRM in the food manufacturing SMEs.
- SRM issues in food manufacturing SMEs
The respondents were asked to detail the challenges affecting SRM in the food processing SMEs in Dar es Salaam.
- Measures to overcome the SRM issues.
The interviewees were asked to provide measures to enable effective SRM implementation within the organisations.

The findings from each of the themes mentioned above have been discussed.

4.1 Theme 1: SRM Implementation in the Food Manufacturing SMEs in Dar es Salaam
According to the informants, SRM in the food manufacturing SMEs of Dar es Salaam is weak and needs further development. Most of the interviewees stressed that the SMEs pay more attention to the downstream members while the upstream members are ignored. Consequently, some of the informants suggested that SRM was weak in the food processing SMEs due to the lack of trust, the untimely sharing of information, the lack of professionalism when dealing with relationships and poor infrastructure.

Some of the views of the respondents have been highlighted below:

“There [are] not many strategic supplier relationships from both ends of the supply chain… that is on the vertical and the other [on] the supplier side.” (Respondent 1)

Another response was:

“Most SMEs focus more on the downstream relationships and pay less attention to [the] supplier relationships. This is mainly a result due to [the] poor integration that exists between the supply chain partners. Another cause for poor strategic supplier relationships is the lack of trust and untimely sharing of information largely caused by technological problems.” (Respondent 3)

Respondent 4 mentioned:

“In the partnerships, they’re not doing that well [in] customer relationship management” (Respondent 4)

Respondent 10 highlighted:

No professionalism in managing relationships. SMEs do not apply professional steps in acquiring [their] products. No formal procedures are followed. Also due to the number of SMEs that are producing food, competition is low and therefore they feel that they do not need to push themselves to manage [their] relationships.” (Respondent 10)

A similar view was:

“Very few are strategic. Mostly they are not the strategic. [The] majority are still trying due to the nature of the business they are constrained. Few have tried. Most are still lagging.” (Respondent 11)
Respondent 12 accentuated:

"SSR is not conducted [much] because most of the food manufacturing SMEs, when they need materials, purchase [them] and they do not establish any long-term relationships." (Respondent 12)

“It’s going good. Most try to segment [the] suppliers based on [the] products produced. [For] example, if it is biscuits or beverages, then they get the suppliers [that] they need. Although long-term relationships usually don’t last due to mistrust and pricing.” (Respondent 2)

“Most SMEs focus more on the downstream relationships and pay less attention to [the] supplier relationships.” (Respondent 8)

A few of the respondents (7 and 9) highlighted that the SRM was good as shown in the next section:

“They are adequate. Most of the industries have been trying to come up with new techniques and even the suppliers so I can say it’s of high quality.” (Respondent 7)

“My opinion is [that] I think it’s good because they have learnt and have a discipline on how to interact and manage strategic planning [in order] to manage their supplier relationships. There is an improvement in [the] supply relationships.” (Respondent 9).

Based on the views from the informants, it is evidenced that SRM is weak in the food manufacturing SMEs in Dar es Salaam mainly because of the issues resulting from poor supplier relationships. Most of the informants stressed that more focus is provided to the downstream members while the upstream members like the suppliers are ignored. As a result, the SMEs have weak relationships with their suppliers due to issues such as a lack of trust, poor integration, the poor management of relationships and the inability to maintain long-term relationships with their suppliers.

The SRM challenges will be discussed in the next section.

4.2 Theme 2: SRM Challenges

The respondents were asked to provide their views on the challenges impacting SRM in the food manufacturing SMEs of Dar es Salaam. The responses are shown in Table 2.

Table 2. SRM issues in the food manufacturing SMEs

<table>
<thead>
<tr>
<th>S/NO</th>
<th>Informant</th>
<th>SRM issue</th>
</tr>
</thead>
</table>
| 1    | Informant 1      | No good plans for resources or materials - they just buy from the local markets.  
|      |                  | Issues in production capacity, sources of supply capacity and capability.  
<p>|      |                  | Poor coordination.                                                       |
|      |                  | Unreliable sources of supply, fluctuations in the prices of commodities.  |
| 2    | Informant 2      | Mistrust.                                                                 |
|      |                  | Pricing.                                                                  |
| 3    | Informant 3      | Poor integration that exists between the supply chain partners.          |
|      |                  | Lack of trust and the untimely sharing of information.                   |</p>
<table>
<thead>
<tr>
<th>Informant</th>
<th>Issue(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Poor movement of goods from the supplier to the customers.</td>
</tr>
<tr>
<td>6</td>
<td>Lack of trust among partners.</td>
</tr>
<tr>
<td>7</td>
<td>Poor integration.</td>
</tr>
<tr>
<td>8</td>
<td>Poor storage facilities. Lack of packaging.</td>
</tr>
<tr>
<td>9</td>
<td>Unreliable suppliers. Poor communication between the SMEs and their suppliers. Managing many suppliers at a time.</td>
</tr>
<tr>
<td>10</td>
<td>Failure to maintain long-term relationships with their suppliers.</td>
</tr>
<tr>
<td>11</td>
<td>Transportation issues.</td>
</tr>
</tbody>
</table>

Source: Study Interviews, 2018

With reference to the Table 2, the respondents highlighted the major issues affecting the food processing SMEs in Dar es Salaam as follows:

- **Relationship issues**: Most of the informants suggested that the SMEs had issues managing long-term relationships with their suppliers due to coordination problems, a lack of trust, poor quality of information, integration problems and pricing issues.
- **Quality of materials**: The interviewees stated that the quality of information was another main issue impacting SRM.
- **Transportation issues**: The failure to deliver goods on time due to transportation issues was highlighted as a significant challenge impacting SRM.
- **Storage issues**: Furthermore, the respondents stated that the SMEs encountered issues in relation to the storage facilities and packing goods.
- **Production capacities**: The informants highlighted that production issues are another major factor impacting SRM.

From the views of the informants, food processing SMEs in Tanzania need to improve their relationship with their suppliers through fostering trust and working together with the suppliers to improve the quality of the raw materials supplied in order to improve productivity. In addition, good storage facilities are vital to help the SMEs to retain the quality of the products produced.

Having discussed the issues, the respondents suggested measures to use to overcome the SRM challenges as explained in the following section:

### 4.3 Theme 3: Measures to Achieve SRM

The interviewees provided the following measures to effectively implement SRM in food processing SMEs. The opinions from the informants are as follows:

- "**Build strong relationship with suppliers.**" (Interviewee 1)
- "**SRM training.**" (Interviewee 2)
- "I think [that] the communication between the suppliers and customers should be of a good quality. I also think [that] the partnership issue there should be a good link between the partners of the supply chain to ensure that they provide quality and adequate goods to the customers. Without a strong partnership, each member focuses only on profiting themselves and not the customers. In other words, there should be an integration of the activities to make [sure that] the goods reach the customers on time." (Interviewee 4)
“SSR [needs] to be improved. More focus has to be given on [the] integration of companies so [then] they work together and improve [the] supply chains.” (Interviewee 7)

“Improve [the] technology and [allow for the] employment of experts to enable [the] suppliers to be well-established. The reasons behind the poor supplier establishments have mainly been caused by a lack of the latest technology [and] no investments from shareholders because they aren't sure because of a fear of a low rate of return. The training of [the] SMEs and suppliers to have a well-established SCM [means that] the challenges might be reduced.” (Interviewee 10)

From the observations of the informants, the food processing SMEs in Dar es Salaam need to work on building strong relationships with their suppliers through strengthening trust and by sharing reliable information with suppliers. Moreover, to ensure that the distortion of information is avoided, improvements in technology are essential to facilitate the timely sharing of information. As suggested by Kembro, Näslund and Olhager (2017), technology helps the partners to share real time information with each actor in the supply chain. The same is supported by Bian, Shang and Zhang (2016) who found that sharing real time information with their business partners helps to minimize real times problems, reduce costs, improve productivity and enhance the firms’ profitability.

5. Discussion of the Findings
The findings from the interviews reveal that the food manufacturing SMEs in Dar es Salaam face difficulties in five areas. These areas are the failure to maintain long-term relationships with their suppliers, poor quality materials, poor transportation, and issues in storage and production capacities. These will be elaborated on in the section below:

- Relationship issues: The majority of the interviewees suggested that food processing SMEs have difficulties managing long-term relationships with their suppliers due to a lack of transparency, trust, poor coordination and the untimely sharing of information between partners. The same was reported by Katunzi and Zheng (2010) who found that the SMEs were reluctant to share information with their partners due to a fear of competition. Furthermore, Mollel (2015) reported poor quality information and untimely information sharing to be the major issues impacting on the partner relationships.

- Poor transportation: The interview informants emphasized that SMEs had difficulty when it came to deliver the goods to the customers on time due to transportation issues. This finding is consistent with that of Ruteri and Xu (2009) who reported that poor transportation infrastructure stood in the way of meeting customer demands.

- Storage issues: The interviewees suggested that the storage facilities were poor in the food manufacturing SMEs of Dar es Salaam. Having poor storage facilities is dangerous as it puts the consumers’ health at risk. Ruteri and Xu (2009) reported a similar account and emphasized that good storage facilities are necessary to avoid putting the health of the consumers as well as the processors at risk.

- Production capacities: The respondents concurred that the production capacities are poor in the food processing SMEs of Dar es Salaam. This could be a result of having unreliable suppliers which makes it hard to have a continuous line of production. In addition, due to the outdated technologies being used by the processors extensively, it becomes hard to achieve a higher level of productivity. This is as most processors rely heavily on manpower-based machines which result in difficulties in production. This result concurs with that of Ruteri and Xu (2009) who reported that the extensive use of manpower was the reason for the impecunious production in the Tanzanian food sector.

Having detailed the findings, the next section will provide the study recommendations, limitations, implications and conclusions.

6. Recommendations, Limitations, Implications and Conclusion
6.1 Recommendations
Based on the above findings, food processors must improve the SRM in their firms by maintaining long-term relationships with their suppliers. This can be achieved through being transparent, improving information flow and
having quality suppliers. Through long-term relationships with their suppliers, issues such as inferior raw materials, increased lead times, excessive production cost and the bullwhip effect can be avoided. Al-Shuaibi (2016) recommends that long-term relationships with their suppliers improve their supply chain performance by obtaining quality materials which enhances both their productivity and customer satisfaction.

Additionally, processors need to adopt the latest technology which will improve their production capacity, the storage of goods and result in a reduction in costs by eliminating the excessive use of manpower. Sophisticated technologies such as blockchains help firms to enhance their product safety, advance inventory management and reduce the unwanted costs that enhance the supply chain effectiveness of firms (Cole, Stevenson and Aiitken, 2019).

In terms of transportation issues, the government of Tanzania needs to address infrastructure issues to help the SMEs to move their products swiftly to the customers in order to meet their demands on time.

6.2 Limitations of the Study
This study has investigated an area that has been inadequately documented in the food processing SMEs in Tanzania. The findings are limited to only food processing SMEs in Dar es Salaam and thus the results cannot be generalised to other regions of Tanzania. Further examination of the factors impacting SRM needs to be conducted in other regions of Tanzania. This research used only interviews to obtain views from SCM and SME experts. The use of a mixed method approach can help researchers to achieve triangulation by comparing views from multiple sources such as experts and SME owners. Due to the time limitations, only a few participants were able to participate in the study. A higher sample size can assist the researchers in getting auxiliary views about the SRM problems which will enhance the overall understanding of SRM issues.

6.3 Implications of the Study
This study has implications related to practitioners, policymakers and future researchers. For practitioners, the findings of this study reveal that SRM is weak in the food processing SMEs in Dar es Salaam and areas such as information quality, relationship management and product quality have to be improved. For policymakers, this study reveals that support is needed from the government in terms of financial aid and improving the infrastructure to enable the SMEs to function well. For researchers, this study reveals the issues that the food processing SMEs in Dar es Salaam face. It will be interesting for researchers to conduct a quantitative study and to extend to other regions outside of Tanzania as this study was only based in Dar es Salaam.

6.4 Conclusion
In this research, a clear picture of the implementation of SRM in food manufacturing SMEs in Dar es Salaam has been provided. Issues, as well as recommendations, have been provided to help SMEs to overcome SRM related issues. This study, therefore, serves as a useful reference for SMEs and SCM experts in Tanzania on how to implement SRM and improve SCM performance efficiently.

References


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