

# **Coping with the African Business Environment Enterprise Strategy in Response to Institutional Uncertainty in Tanzania**

Hansen, Michael W.; Langevang, Thilde; Rutashobya, Lettice; Urassa, Goodluck

*Document Version*  
Accepted author manuscript

*Published in:*  
Journal of African Business

*DOI:*  
[10.1080/15228916.2017.1330028](https://doi.org/10.1080/15228916.2017.1330028)

*Publication date:*  
2018

*License*  
Unspecified

*Citation for published version (APA):*  
Hansen, M. W., Langevang, T., Rutashobya, L., & Urassa, G. (2018). Coping with the African Business Environment: Enterprise Strategy in Response to Institutional Uncertainty in Tanzania. *Journal of African Business*, 19(1), 1-26. <https://doi.org/10.1080/15228916.2017.1330028>

[Link to publication in CBS Research Portal](#)

## **General rights**

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

## **Take down policy**

If you believe that this document breaches copyright please contact us ([research.lib@cbs.dk](mailto:research.lib@cbs.dk)) providing details, and we will remove access to the work immediately and investigate your claim.

Download date: 26. Aug. 2022



# Coping with the African Business Environment: Enterprise Strategy in Response to Institutional Uncertainty in Tanzania

**Michael W. Hansen, Thilde Langevang, Lettice Rutashobya, and Goodluck Urassa**

Journal article (Accepted version)

**Cite:** Coping with the African Business Environment : Enterprise Strategy in Response to Institutional Uncertainty in Tanzania. / Hansen, Michael W.; Langevang, Thilde; Rutashobya, Lettice; Urassa, Goodluck. In: *Journal of African Business*, Vol. 19, No. 1, 2018, p. 1-26.

This is an Accepted Manuscript of an article published by Taylor & Francis in *Journal of African Business* on 18 July 2017, available online:

<http://www.tandfonline.com/10.1080/15228916.2017.1330028>

Uploaded to [Research@CBS](https://research.cbs.dk): January 2018

# Coping with the African business environment

## Enterprise strategy in response to institutional uncertainty in Tanzania

By Michael W. Hansen<sup>1</sup>, Thilde Langevang<sup>2</sup>, Lettice Rutashobya<sup>3</sup> and Goodluck Urassa<sup>4</sup>

---

<sup>1</sup> Copenhagen Business School, Center for Business and Development Studies ([mwh.ikl@cbs.dk](mailto:mwh.ikl@cbs.dk))

<sup>2</sup> Copenhagen Business School, Center for Business and Development Studies ([th.ikl@cbs.dk](mailto:th.ikl@cbs.dk))

<sup>3</sup> University of Dar es Salaam Business School ([letticer@yahoo.com](mailto:letticer@yahoo.com))

<sup>4</sup> University of Dar es Salaam Business School ([goodluckaikael@yahoo.com](mailto:goodluckaikael@yahoo.com))

# **Coping with the African Business Environment**

## **Enterprise strategy in response to institutional uncertainty in Tanzania**

*Abstract: Weak institutions, endemic market failures and low trust permeate the Tanzanian business environment. Nevertheless, some local enterprises overcome these challenges. Based on case studies of Tanzanian food processing enterprises, this paper identifies a number of coping strategies that contrasts markedly with the strategies traditionally emphasized by the strategic management literature: Instead of focus strategies, Tanzanian enterprises diversify; Instead of competitive strategies, Tanzanian enterprises adopt network strategies; And instead of internationalizing based on strengths, Tanzanian enterprises internationalize to overcome weaknesses. The paper traces these strategies back to specificities of the Tanzanian institutional environment and discusses implications for the strategic management literature.*

### **I. Introduction**

Sub-Saharan Africa is at a critical juncture in regard to private sector development. From the 'lost' continent, Africa is now increasingly depicted as the continent of economic opportunity and growth (McKinsey, 2010; Rodrik, 2014). It is argued that a rising African entrepreneurial class now is driving economic development, signalling a fundamental change from the previous state-led economic development paths (Moyo, 2009; ACI, 2014). It is further argued that competent African enterprises are proliferating in response to the rapidly growing demands for African products and services in local and international markets (BCG, 2010). In short, the renewed hope in African development is to a large extent invested in its private sector, in its entrepreneurs, and in its enterprises.

However, behind the optimism, there are harsh realities that may undermine the promises of private-sector-driven development. Sub-Saharan Africa is home to some of the most challenging business environments on the globe (World Bank, 2014). Although growth is high in

several African countries, this growth is mainly fuelled by natural resources and services, and many countries are witnessing a virtual de-industrialization (UNIDO, 2012). Productivity remains low and several African countries are sliding backward on global competitiveness indexes (WEF, 2013). Across the continent, red tape and bureaucracy, over- and under-regulation, rent seeking and corruption remain major obstacles to enterprise development (WEF, 2013).

Nevertheless, some African enterprises manage to circumvent the difficulties of the African business environment and establish viable and growing businesses. It is the strategies of such enterprises that are the focus of this paper. Based on detailed case studies of seven successful Tanzanian enterprises from the food processing industry, the paper characterizes the strategies that these enterprises adopt to succeed. The paper argues that Tanzanian enterprises adopt types of strategies - e.g. diversification, network or total value chain integration strategies – which are difficult to explain through the lenses of conventional strategic management thinking. However, the observed strategies may, it is argued, be explained with the emerging institutional strategy perspective, which essentially traces enterprise strategy back to institutional factors such as a weak contractual environment, underdeveloped intermediary industries, and regulatory uncertainty. By analysing and explaining strategies of successful Tanzanian food processing enterprises, the paper contributes to the strategic management literature, which has - as elaborated below - only to a very limited degree focussed on strategies of African enterprises. Ultimately, the paper generates and substantiates hypotheses regarding strategies of African enterprises and the institutional antecedents of those strategies, hypotheses that can inspire and guide future strategic management research on African enterprises.

## **II. Literature and analytical framework**

### **The strategic management literature**

Much of the literature addressing the rise (or demise) of African enterprise is informed by country, value chain or industry level studies rooted in economics or economic geography (see e.g. Bigsten et al., 2004; Bigsten & Söderbom, 2006; Biggs & Shah, 2006; Rodrik, 1998; Gibbon &

Ponte, 2005; McCormick, 1999; Altenburg & Von Drachenfels, 2006; Hallberg, 2000; Liedhom & Mead, 2013; Morris et al., 2012; Morrisey, 2012; UNIDO, 2013; Page, 2013). Only few studies have applied a strategic management perspective (Mellahi & Mol, 2015; Tvedten et al., 2014). To the extent a strategic management literature on African enterprises exists, it mainly focuses on the strategies of large multinational corporation (MNCs) (see e.g. Quelch & Austin, 2012; Kolk & Lenfant, 2010) or on small entrepreneurial enterprises (see e.g. Kiggundu, 2002; McDade & Spring, 2005; Rutashobya et al., 2009; Langevang & Gough, 2012); only a handful of studies focuses on the strategies of middle-sized and large indigenous African enterprises (exceptions are Alos, 2000; Ougudonto, 2007; Uchenna & Mair, 2014; or Ozcan & Santos, 2014). Whatever the potential of MNCs and entrepreneurial enterprises may be, medium-sized and large local enterprises remain the backbone of the fragile African industrial development (UNIDO, 2012) and any attempt to promote African industrial development needs to be based on a sound understanding of the strategies of such enterprises. Hence, the aim of this paper is to contribute to filling the above described lacuna in the strategic management literature by providing a better understanding of the strategies of medium-sized and large African enterprises.

### **Analytical framework**

The strategic management literature essentially analyses strategies formulated by managers under conditions of uncertainty (Mintzberg, 2003). Inspired by Khanna and Palepu (2010), strategy is understood as dimensions on which enterprises position themselves. Hence, enterprises may position themselves on at least five classical strategy dimensions: 1. Focus or diversify (see Gold & Luchs, 1993; Khanna & Palepu, 2010; Guillen, 2000; Ramachandran et al., 2013; Palich et al., 2000); 2. Specialize or integrate (see Prahalad & Hamel, 1990; Quinn, 2013; Quinn & Hilmer, 1995); 3. Collaborate or compete (see Conner, 1991; Hamel et al., 1989; Khanna & Palepu, 2010); 4. Adapt to or change the context (see Khanna & Palepu, 2010; Rugman & Verbeke, 2003; Kock & Guillén, 2001); or 5. Internationalize or focus on home market (see Dunning, 2000; Yip et al., 2000). In the case analysis section below, we will elaborate on these five dimensions and position the Tanzanian food processing enterprises in relation to them.

The strategic management literature oscillates between inside-out and outside-in explanations of strategy (Hoskisson et al., 1999). Hence, some traditions find the sources of strategy in external factors such as the configuration of the industry or market characteristics, while others search for the sources of strategy in internal resource and capability factors (Peng et al., 2009). One perspective of particular relevance to the study of strategy in developing countries is the institutional strategy perspective (Hoskisson et al., 2000; Peng, 2002, 2003, Wright et al., 2005; Meyer & Peng, 2005, Kostova et al., 2008). The institutional strategy perspective focuses on how institutions influence enterprise strategy. This perspective has moved into mainstream strategic management in recent years and has proven apt in explaining strategy in contexts where institutional voids and/or institutional change are particularly pronounced, i.e. developing countries. The core argument of the institutional strategy perspective is that due to widespread institutional voids and rapid institutional changes in developing countries, enterprise strategy in such contexts varies from strategy in contexts with more mature and stable institutions. Hence, the classical transaction cost, industry and capability perspectives on strategy must - it is argued - be amended with an explicit account of how institutional context influences strategy (Hoskisson et al., 2000; Peng et al., 2009).

The main institutional voids in developing countries are, according to Khanna and Palepu (2010), related to contract-enforcing institutions, market intermediaries, and regulatory systems: Concerning contract-enforcing institutions, contracts are difficult to establish, as reliable information about performance and capabilities of potential partners is lacking. Cultural, religious and ethnic differences make bargaining difficult and risky, and monitoring of contracts are further hampered by inefficient or absent auditing and reporting systems. Moreover, contractual disputes are often difficult to settle due to an inefficient court system (Khanna & Palepu, 2010). Concerning market intermediaries, dense and competitive supply and service industries often fail to evolve in developing countries due to cumbersome licencing requirements, taxation issues, favourism of large incumbents, transactions costs of contractual exchange, and outright corruption (Fjeldstad et al., 2006). Concerning the regulatory system, governments in developing countries are often strongly involved in business activity through regulation and ownership, partly to protect infant industry and partly to promote industrial

development (Khanna & Palepu, 2010; Jalilian et al., 2007). As many developing countries are undergoing fast political, economic and social development, regulation is changing rapidly (Peng, 2003). Often, regulation will be un-coordinated and overlapping, and interventions in different policy areas may contradict each other (Haggard et al., 1997). The regulatory uncertainty is further segmented as regulations in developing countries frequently leave great discretion to bureaucrats, something that facilitates rent seeking and corruption in the implementation phase (Haggard et al., 1997). In such politically charged markets with changing, overlapping and 'soft' regulations, political contacts and good relations to regulators are paramount to enterprise survival and growth (Kock & Guillén, 2001; Khanna & Palepu, 1997, 2010).

Several authors have argued that the institutional perspective is especially relevant to the study of African enterprises (see e.g. Fafchamps, 2004; Svensson, 1998; Bohn & Deacon, 2000; Fjeldstad, 2006; Biggs & Shah, 2006; Mellahi & Mol, 2015). In line with these authors, this paper adopts an institutional strategy perspective, seeking to understand the strategies of Tanzanian food processing enterprises in light of institutional factors.

Below we will place Tanzanian food processing enterprises on the five classical strategy dimensions outlined above and discuss whether and to what extent the identified strategies can be explained with characteristics of the Tanzanian institutional environment. The analysis allows us to formulate deeper and more refined hypotheses regarding enterprise strategy in Africa from an institutional strategy perspective.

-----Insert Figure 1 about here-----

### **III. Methodology**

As earlier argued, there is a dearth of research on strategies of medium-sized and large African enterprises. On this background, an exploratory multiple case study approach (Yin, 2009; Streb, 2010) was found to be appropriate to frame the research, as this approach allows for an



empirically grounded understanding of the content and processes of African enterprise strategy, an understanding that subsequently can be developed into hypotheses that can be subjected to more deductive and quantitative research.

According to Tracy (2010), qualitative research achieves analytical rigor by spelling out the theoretical constructs, by explaining the data collection procedure, sample and context, and by explicating the analytical process (Tracy, 2010). We have, to the best of our ability, tried to achieve such analytical rigour: The paper builds on qualitative data collected by the authors during field research in the Tanzanian food-processing sector in 2013 and 2014. The paper focuses on enterprises in the Tanzanian food processing industry, partly because food processing is the by far most important manufacturing industry in terms of development impact and job creation in Tanzania (Sutton & Olomi, 2012), and partly because this industry - with its broad spectrum of technologies, products and organizational forms – may illustrate the breadth and depth of strategy in African enterprises. According to the Tanzanian National Bureau of Statistics, there were 480 food processing firms registered in Tanzania in 2013. Of those, seven were selected for detailed case studies, all enterprises that were considered successful in the sense that they had existed for more than five years and in the sense that they had succeeded in ‘graduating’ into medium-sized or large enterprises (more than 50 employees). The enterprises were chosen to represent the most important subsectors of the food processing industry, i.e. grain milling, edible oil, dairy and fish processing.

Interviews were conducted with top-tier managers who, in some instances, were also the owners and/or founders of the enterprises. Managers were interviewed several times based on semi-structured interview guides. The interviews, which were all audiotaped, lasted from one to two and a half hours. The interviews focussed on enterprise performance, core strategies adopted, and main institutional drivers/ barriers to growth. Supplementary information on the enterprises was collected from secondary sources thus enhancing reliability through triangulation (Yin, 1994; Tracy, 2010). Among the main secondary sources were company home pages (six out of seven case enterprises had own home pages), the Tanzanian Enterprise Map (containing historical and financial data on five of the seven case companies) (Sutton & Olomi,

2012), company information from the Confederation of Tanzania Industries (CTI), and company internal records and documents provided at interviews.

Data was processed in the following way: 7-10 page case study reports consolidating interview information and secondary data were drawn up for each of the seven enterprises. Short summaries of these reports were produced for the purpose of this paper. Cross-case coding was conducted, where the practices and patterns of behaviour of the seven case companies were coded by the research team in relation to the analytical dimensions of the analytical framework. Table 1 provides the results of the coding and includes, as recommended by Pratt et al. (2006), 'exemplary' interview quotations related to the analytical dimensions.

It is important to note that the sample of seven enterprises cannot be seen as representative of the Tanzanian food processing industry, nor of African enterprises in general. Consequently, the generalizations that can be drawn from the research are of an analytical nature (Gibbert et al., 2008; Yin, 1994). Hence, the research essentially enables us to refine and substantiate hypotheses regarding strategy of African enterprises and its institutional antecedents.

#### **IV. The Tanzanian business environment**

Tanzania has 50 million inhabitants and a per capita income of just below US\$700 (measured in 2013), and thus falls into the category of least developed countries (LDCs). Over the last decade, Tanzania has sustained growth rates in excess of 6-7%, fuelled by investments in extractive industries such as gold, coal, nickel and gas, and rapid development of the service sector, especially infrastructure and construction. Tanzania's economy has passed through various development phases ranging from a government controlled socialist economy to market liberalization through policies embracing private sector growth and foreign direct investment (FDI) (Wangwe et al., 2014). To promote industrial development, Tanzania has adopted numerous initiatives aimed at transforming the country's agriculture-based economy into a competitive and dynamic semi-industrial economy by 2025. In parallel with these specific industrial development initiatives, the Government has attempted, in close collaboration with the World Bank and donors, to improve the business environment through a number of projects and programmes.

In spite of these efforts, the country faces structural and institutional challenges that seriously hamper poverty alleviation and private sector development. The relatively high growth rates have not shown significant impact on reducing poverty rates and creating employment, especially in rural areas. The country remains highly dependent on donors and 40% of the state budget is donor funded. Tanzania's business environment is generally considered to be volatile and unfavourable for private sector development (WEF, 2013) and Tanzania is scoring very low on the Doing Business index (number 139 in 2015). Several studies have pointed to deficiencies of the Tanzanian institutional environment, including: failing financial markets, fragile bureaucratic institutions, lack of enforcement, widespread corruption and rent seeking, poor infrastructures, overlapping regulatory jurisdictions, and inefficient provision of public goods (see e.g. Wangwe et al., 2014; Kessy & Temu, 2010; Kinda & Loening, 2010; Cooksey & Kelsall, 2011). State-business relations are characterized by strong government involvement in business; some argue that this involvement is aimed at extracting rents from business (Cooksey & Kelsall, 2011; Buur et al., 2013) while others emphasize the lack of coordination and/or over-regulation of business activities (Wangwe et al., 2014). Moreover, intermediary industries offering financial and business development services are underdeveloped, a factor significantly inhibiting enterprise growth (Wangwe et al., 2014; Ishengoma, 2016). Issues such as low levels of trust and ineffective courts also render the contract environment difficult (Ougudonto, 2007; Hansen, 2013). The economy continues to rely heavily on an unproductive agricultural sector, a dominant extractive sector, and low value-adding manufacturing and service sectors. In 2014, the manufacturing sector only accounted for 6% of the economy. While FDI is substantial relative to the size of the economy, it is heavily concentrated in the mining and gas industries and only a handful of larger manufacturing MNCs are operating in Tanzania.

## **V. Seven case stories**

### **Azam: Part of a Tanzanian conglomerate**

Azam is a grain milling company that is part of Tanzania's largest business group, Bakhresa. Azam grew from humble beginnings as a shoe repair business to a multinational food processing giant that currently employs over 3000 people. The history of the company dates

back to 1968 when Said Salim Awadh Bakhresa, a Tanzanian of Arabic origin, established a shoe repair business, which was shortly followed by a restaurant and a bakery in 1973 and 1975 respectively. A dysfunctional supply chain, which could not adequately supply wheat flour to his bakery prompted Said to expand into the grain milling business, which is now a key part of the Bakhresa conglomerate. The Bakhresa group is organized as a family business, where Bakhresa's four sons are actively involved in different business units in the group, including: transport, fruit processing, production of plastic bags and grain milling. The group is headed by a board of directors, albeit each sister company/member is registered separately and is independently financed. Dar es Salaam serves as a hub for all subsidiary activities, where strategic activities such as lobbying and importation of raw materials are carried out.

Despite a diversified portfolio, wheat milling remains the flagship of the group, and Azam is the market leader in Tanzania. The company owns and operates one of the largest wheat processing plants in Sub-Saharan Africa and uses the latest technology imported from Switzerland. The group rarely relies on bank loans, but when it does, it pays it out even before it matures. Furthermore, Azam is one of the few Tanzanian enterprises to engage in FDI. The company's internationalization process has been incremental. It started exporting wheat flour to Malawi, Uganda, Mozambique, Rwanda and Burundi. However, due to stiff competition in the export markets and high import tariffs, it decided to establish production plants in these countries, financed partly by the International Finance Corporation (IFC).

The Group has thrived, despite the harsh business environment, by maintaining good relationships with authorities and politicians. Through its engagement with, and even representation in - relevant government ministries, regional bodies and parliamentary committees, it has been able to influence legislation, for instance leading to the elimination of the 35% import duty on wheat while maintaining the import duty on processed flour.

### **Azania: A challenger firm**

Azania is a grain milling enterprise with 350 employees. It is owned by ethnic Arab Tanzanians and is part of a larger family conglomerate. Originally, the family offered transport services (trucks) to Azam's grain milling business. However, in 2001, Azania was established to challenge

Azam's dominant position in the grain milling business. The newly established company purchased second hand technology from Europe financed by the sale of its trucks and it acquired the skills to operate the equipment through Kenyan expats. Initially, the focus was on grain milling, but due to the opportunistic behaviour of wholesalers, who diluted or short-sold Azania products, Azania was forced to buy up wholesalers and integrate them into its sales and marketing organization. Eventually, the company was successful in restoring the trust in its brand, achieving annual growth rates of 25%.

Azania's business model is highly dependent on the Tanzanian tariff regime, which imposes high duties on flour imports but minimal duties on grain imports. In this regard, the industry, led by Azam, has been very effective in lobbying for the government to establish tariffs that benefit the industry. Azania has followed the larger Azam into regional markets through exports and FDI, a process facilitated by the East African Community trade and investment harmonization. Thus, the company exports 25% of its production and has established subsidiaries in Burundi and Rwanda. Using its finely tuned transport and distribution network, Azania is also diversifying into new product groups such as cooking oil and soya, areas where its arch rival Azam is also present.

Azania originally adopted a low-cost strategy in order to compete head on with Azam. However, this strategy backfired and more recently the company has pursued a differentiation strategy with focus on quality, marketing and product diversification.

### **Power Food: A socially oriented enterprise**

Power Food Industries Ltd is a food processing enterprise with 35 employees specialized in nutritious food products. The managing director, Anna J.H. Temu, established the enterprise in 1993 with an ambitious goal to produce nutritious food made from locally available crops (millet, sorghum, maize mixed with soybean) intended for people with special nutritional requirements, such as children and nursing mothers. The enterprise initially struggled as it was completely reliant on Ms. Temu's personal finances and in 2009 it was facing severe financial difficulties. While attending an exhibition Ms. Temu learned about Nutriset, a French company that produces PlumpyNut - a peanut-based paste for severely malnourished children. Ms. Temu

managed to enter into a franchise partnership with Nutriset. Nutriset has a mission to foster the nutritional autonomy of developing countries and thereby contribute to their economic development. As such, Nutriset has developed the PlumpyField Network which, through technology transfer and quality standard support, assists enterprises in developing countries to produce nutritious products close to where they are needed. In 2010, after extensive upgrading of production facilities, equipment and staff, Power Food started to produce PlumpyNut paste and was audited and certified by UNICEF in 2011. The product is mainly sold to humanitarian organizations with UNICEF as the main buyer. Most of the raw materials used in the paste are imported as it has not been possible to find local suppliers able to comply with the required standards.

Ms. Temu is a member of a number of associations in Tanzania that work to improve the conditions for food processors and female entrepreneurs. By persuading the government that it is not an “usual commercial undertaking” but a “business serving social needs” with export potential, the enterprise was permitted to operate under Export Processing Zone (EPZ) terms, which, among other benefits, implies import tax relief.

### **Vickfish: A born global**

In the early 2000s, Tanzania emerged as one of the largest exporters of Nile Perch fillets to the EU and US markets. From 2000 to 2010, Tanzanian fish exports registered an average annual growth rate of 17 percent, and in 2010, Tanzania exported frozen Nile Perch fillets amounting to US\$71 million. Based on abundant stocks of Nile Perch in the Victoria Lake region, at least 10 large-scale fish processing plants have since the 1990s evolved in the Tanzanian Mwanza region, making Tanzania the leading exporter of Nile Perch in the region. One of the main fish export enterprises in Mwanza is Vicfish. It processes and packages Nile perch for export to Europe and has around 600 employees and a turnover of more than US\$30 million. It is owned and managed by Tanzanians of Indian origin and is part of the Bahari Bounty Group. Vickfish is one of the few Tanzanian companies that export processed food products to European and other advanced markets. Even though the Bahari group’s involvement in food processing goes back more than 20 years, it was the contacts to European supermarket chains that made the

lucrative fish export business take off. Nile Perch became a popular and inexpensive alternative to salt water fish from Northern waters, and is sold under the name of Victoria fish. Vicfish's exports also supply the US, Japan and the Middle East. The company maintains the high standards necessary to enter the European market and is Fairtrade and ISO 22000 certified. The proximity of an airport enabled the company to export chilled (as opposed to frozen) fish directly to the European and Middle Eastern supermarkets and restaurants.

Recently however, the company has been struggling due to limited fish supplies; a consequence of the ineffective regional fish-stock management scheme, which has failed to prevent overfishing of Lake Victoria. Moreover, the airport lacks the capacity to service the large planes that are required to reduce transport costs and lead-times. Consequently, a large proportion of exports are shipped by trucks to Uganda or Kenya, which adds significantly to costs. Finally, intensifying price competition, especially from Vietnam, has undermined the market for Vickfish's products.

### **Voil: The rise and fall of an import substitution business**

The history of Voil (Vegetable Oil Industries Ltd) and its path to becoming a well-established edible oil company dates back to 1966 when two Tanzanians of Indian origin became business owners of three cotton ginneries. Based in the cotton rich Mwanza region, they sold the ginned cotton to both domestic and international markets. A critical incident occurred in 1967 following the government's nationalization policy, which led to the nationalization of various businesses including ginneries and milling plants. The two founders were compelled to change their business focus from exporting ginned cotton to processing cottonseeds into edible oils, hence the inception of Voil. Voil became the first manufacturer and seller of edible oil (cooking oil and fat, ghee and margarine) in Tanzania, and by the early 1990s, when market reforms were initiated, Voil had become a market leader.

However, Voil's market power was significantly reduced in the 1990s when economic reforms and trade liberalization policies were introduced. Cheap edible oil imports from Malaysia and Indonesia curtailed the market power Voil had hitherto enjoyed and its turnover plummeted. In response to these events and the increasingly harsh business environment, the owners began

to forge partnerships with shareholders of Asian origin from Uganda and diversified into several other businesses in unrelated industries such as production of polypropylene woven sacks, production of plastic items, and hotel/tourism business. In the edible oil category, Voil began to manufacture sunflower cooking oil after the production of cooking fat was discontinued due to health concerns among consumers.

Like other manufacturing businesses in the country, Voil must interact with multiple statutory regulatory bodies such as tax authorities, fire authorities, food safety authorities, planning authorities, etc., each of which charge an annual fee and tax. A one-stop approach to assist investors and manufacturers is non-existent. Energy problems are rampant and the railway line service is deteriorating, which forces Voil to use roads for transporting finished goods. The lack of cost-effective transportation has led to uncompetitive operations when compared to Dar es Salaam based oil processing enterprises. In response to stiff competition, excessive bureaucracy and high operational costs, Voil has shrunk in size and the owners are contemplating whether they should divest its edible oil business entirely to move into more profitable and less cumbersome sectors, such as building and construction.

### **Tanga Fresh: Growing through foreign linkages**

Tanga Fresh Limited (TFL), Tanzania's leading milk processing company, originally emerged from the Dairy Farmers' Organization. Supported by the Dutch-Tanzanian bilateral development program, this smallholder dairy farmer organization was established in 1992 to facilitate joint milk marketing and input procurement. This led to the registration of the Tanga Dairies Cooperative Union (TDCU), an umbrella organization that brought together 11 dairy farmer cooperative societies. TDCU invited a group of Dutch farmers, through Holland Dairies (Dutch Oak Tree Foundation), to support the development of a processing plant. The Dutch Oak Tree Foundation formed a joint venture with TDCU in 1996 and supported TFL to begin with a modest milk processing factory with a daily capacity of 15,000 litres.

The initial challenge of the company was to source reliable, quality suppliers. The TFL initiated the Modern Dairy Service Network (MSDN) in 1998 to improve the milk collection system through improved quality assurance, market guarantee for farmers' milk and the establishment



of a dairy farmers' information service. It also constructed new milk collection Centres (MCCs) as part of a cold chain to implement commercial milk collection, processing and marketing. By 2014, the company procured raw milk from over 3,500 rural smallholder dairy farmers organised through 13 primary cooperatives and over 5,000 participating dairy farmers. Today, the company has 60 employees in production and a similar number in distribution. The company adheres to strict international hygiene standards and uses state-of-the-art European equipment and techniques. It is highly active in lobbying for a better business environment in the dairy sector through the Tanzania Milk Processors Association (TAMPA).

Like other enterprises in the sector, TFL faces a number of upstream value chain related challenges including low quality of raw milk, competition from imported milk, and unreliable milk supply. Also downstream it faces challenges, e.g. in relation to accessing packaging material and finding outlets for its products. Moreover, as the sector is regulated by at least 17 sector-specific regulations, the company faces considerable challenges in dealing with many regulatory bodies and having to comply with often conflicting regulations.

### **Tan Dairies: A medium-sized diversifier**

Tan Dairies Limited, a medium-sized family owned milk-processing company based in Dar es Salaam, began in the early 1990s to operate a small-scale dairy farm at the founders' home. From selling milk to the local neighbourhood, the founders expanded the production base into a small-scale Milk Collection Centre (MCC). Since Tanzanian food safety regulations forbid the sale of raw milk directly to consumers, batch pasteurization had to be introduced as the business expanded. By 2000, the business was fully specialized in dairy processing and became officially registered as a private limited company with capital investment of US\$250,000 and a milk-processing capacity of 1,000 litres per day. The company has since expanded its processing capacity to 10,000 litres per day; it has 55 employees and an average annual turnover of US\$1 million. TDL has acquired land and modern dairy-processing facilities and it continues to expand. Through increased automation, the company has also diversified its product range to include butter, cheese, ghee, cream, ice cream, pasteurized and cultured milk, fresh and flavoured milk. It has successfully developed the DESA<sup>®</sup> brand of dairy products,

which is claimed to be unique owing to the natural flavour of milk from local cows grazed on natural pastures.

TDL procures fresh milk from large-scale farms and from more than 2,000 smallholder dairy farmers. It has, partly with the aid of donors, established milk collection centres located in different regions. The company has equipped the collection centres with modern machinery and laboratory equipment to ensure the high quality of its products. Due to underdeveloped distribution and marketing infrastructures, the company has been forced to invest heavily in distribution and marketing and has established a large sales force that ensures that TDL's products are sold to more than 15,000 outlets in Dar es Salaam.

## **VI. Findings**

In Table 1, the case studies presented in the previous section are summarized according to performance, key strategies adopted, and key institutional factors potentially influencing those strategies. Exemplary quotes from the interviews are included to support the coding in relation to the analytical dimensions (Pratt et al., 2006).

-----Insert Table 1 about here-----

In the following, the paper presents a cross case analysis based on the five classical strategy dimensions identified in the analytical framework. For each strategy dimension, the paper first presents conventional strategic management thinking in relation to that dimensions and then contrasts that thinking with the actual strategies adopted by the seven Tanzanian food processors:

### **Focus or Diversify**

Fifteen to twenty years ago, the issue of performance of diversified and non-diversified companies was among the most researched, and yet contested, areas within the strategic management literature (Comment & Jarrel, 1995). On the one hand it was argued that

diversification across industries entails performance advantages due to cross subsidization (of brands, capital, or managerial talent), scale advantages in generic functions, innovation spillovers, and financial risk diversification (Gold & Luchs, 1993). On the other hand it was argued that diversification creates diseconomies of scope, including coordination problems, lack of synergies and learning, and foregone benefits of specialization (Comment & Jarrel, 1995). In line with the latter position, strategic management scholarship has since the 1990s tended to predict that specialization and focus strategies will be more effective than diversification strategies (Palich et al., 2000) and the diversified firm has increasingly been depicted as a dinosaur (Ramachandran et al., 2013).

Contrary to conventional strategy thinking however, the Tanzanian food processors appear to diversify strongly across un-related industries. This is most evident with the large industrial 'house' Azam which is part of the Bakhresa Group. The Bakhresa Group has a number of enterprises under its umbrella covering the food and beverage sector, packaging, logistics, marine passenger services and real estate. Also its smaller competitor, Azania, has diversified into multiple business areas, e.g. transport, production of plastic bags, cooking oil and soya. Likewise, Voil has diversified from edible oils into sectors such as plastic products, tires, building rentals and hospitality services. In general, it appears that the Tanzanian food processors have adopted highly pragmatic and opportunistic investment strategies, where they, at early stages of enterprise development, are willing to also invest in industries in which they have no previous experience.

### **Specialize or Integrate**

It is common within strategic management thinking to argue that enterprises will benefit from focusing on their core competencies and shedding non-core activities. Specialization can be achieved by supporting and nurturing particular functions and activities considered core to the business (Prahalad & Hamel, 1990) and outsourcing non-core functions and activities (Quinn & Hilmer, 1995). By focusing activities, firms may achieve scale advantages; they may free resources to innovate; and they may be able to generate higher value for their customers. The ability to focus on core competencies and shed non-core activities has been greatly enhanced in

recent decades due to the liberalization of markets, improvements in information technology, reduced transport costs, and improved quality of related and supporting industries around the world (Morris et al., 2012; Quinn, 2013).

Contrary to conventional strategic management thinking however, the Tanzanian food processors massively integrated upstream and downstream in their value chains. The two grain milling companies Azania and Azam, for instance, moved toward control over not only milling, but also transport, distribution and sales. Even the two relatively small dairy enterprises Tan Dairies and Tanga Fresh both spend considerable managerial time and financial resources on developing their supply base by facilitating producer cooperatives, collection centres, and transport infrastructures. Moreover, both enterprises invested vast resources in developing their own packaging, labelling and distribution infrastructures in order to be able to bring their products to the market.

### **Compete or collaborate**

Classical Industrial Organization (IO) theory analyzes strategy in terms of positioning vis-à-vis industry competitors. Hence, successful firm strategy must focus on industry configurations, particularly the moves of competitors (Porter, 1981; Conner, 1991). Through analysis of the configuration of the industry ('five force' analysis), enterprises form generic strategies (Porter, 1981). According to the resource based perspective (Barney, 1991; Wernerfelt, 1984), companies will, based on their unique resource configurations (VRIO), carve out temporary positions in the market that are difficult for other enterprises to challenge.

However, rather than erecting entry barriers for competitors and/or differentiating themselves in the market, the Tanzanian food processing enterprises appeared more focused on establishing and maintaining networks and alliances with industry peers. Ethnic networks appeared especially important, as illustrated by Voil and Vicfish. Both enterprises were highly integrated in the Tanzania-Indian business community and both obtained important managerial and financial inputs from India. Likewise, Azania and Azam had ties to the Tanzanian-Arabic business community. The early and rapid internationalization of Voil, Azam and Azania into neighbouring East African countries seemed partly facilitated by pan-African ethnic networks.

## **Adapt or Change**

The strategic management literature is ambiguous in regard to its view on the endogeneity of market regulation. In traditional strategic management thinking, regulations are assumed to be exogenous to firm strategy and the regulatory and normative environment within which firms operate is seen as given. Consequently, the main interest is in strategies aimed at adapting to, and benefitting from regulations (Khanna & Palepu, 2010). There is however a long tradition within strategic management that focuses on strategies aimed at changing the regulatory and competitive environment in which enterprises operate, e.g. by lobbying, deflecting or even capturing regulation. According to this tradition, regulation is partly endogenous to firm strategy (Hoskisson et al., 1999; Rugman & Verbeke, 2003).

In the case of the Tanzanian food processing firms, it appeared that political strategies were essential to enterprise growth and survival. Most of the major conglomerates in Tanzania are represented in the Parliament by owners or family members and these conglomerates appear to actively use their representation to influence regulations that potentially may impact their own businesses, e.g. local content regulation, VAT regulation or import-export tariffs (Buur et al., 2013). Azam, the absolute leader of the Tanzanian grain milling industry, has lobbied for low import tariffs on grain and high import tariffs on wheat flour, thus securing the enterprise a protected home market. Likewise, Tanga Fresh's lobbying efforts through the dairy association appeared to have secured VAT exemptions for the dairy industry. Conversely, failure to maintain political contacts can carry severe consequences. Voil for instance, used to enjoy a protected home market position due to a favourable tariff regime, but lost its political standing during the 2000s and was unable to halt the liberalization of the Tanzanian market for edible oils.

## **Internationalize to exploit or to build Advantages**

The strategic management literature has over the last 20 years found inspiration in the International Business (IB) literature to develop a better understanding of strategic management and internationalization (Tallman, 2007). The IB literature has traditionally argued that enterprises will internationalize based on strong home market positions that are extended

to foreign locations (Dunning, 2000). Smaller enterprises will typically follow incremental internationalization paths, starting with low-levels of commitment in familiar markets, and then, as the enterprise gains experience with internationalization, gradually increase commitments in ever more distant markets (Johansson & Vahlne, 1978; 2009).

The internationalization strategies of the Tanzanian food processing enterprises are however diverting from the predicted path in at least two respects: First, where we would expect internationalization to focus on exploiting assets and positions developed in home markets, the case enterprises typically started with asset augmentation-internationalization, seeking inputs such as technology, supplies, capital and skills abroad. Accordingly, Azania, Azam, Powerfood and Tanga Fresh all started their growth path by acquiring capital, technology or skills from foreign firms (and donors) and then using these assets as a springboard for consolidating their domestic market position and eventually expanding into regional markets. Second, while some of the enterprises eventually - and in accordance with the predictions of mainstream IB theory - embarked on downstream internationalization of sales and marketing, this internationalization did not take place in an incremental and gradual manner, but in a rather accelerated manner: Vick Fish essentially moved directly into exporting frozen fish to European and Asian markets by air transport, bypassing any contact with the Tanzanian or regional market. The two grain-milling enterprises Azania and Azam also quickly expanded into Uganda and Rwanda through FDI rather than through the incremental path predicted by the Uppsala model.

## **VII. Discussion of findings**

In this paper, a number of coping and growth strategies adopted by Tanzanian enterprises were identified. These strategies correspond only to a limited degree with the strategies that conventional strategic management thinking would predict to be efficient. In Table 2, the identified strategies of Tanzanian enterprises are contrasted with the strategies emphasized by conventional strategic management thinking.

----- Insert Table 2 about here-----

At first sight, the generic strategies of Tanzanian food processors appear random and unconnected. However, a closer inspection reveals that they can all be seen as deriving from a common root, namely the challenging institutional environment of Tanzania. In the following, it will be discussed to which extent the identified strategies can be explained with the three institutional characteristics of developing countries that the institutional strategy literature considers as key institutional influences on enterprise strategy: The weak contractual environment, the underdevelopment of intermediaries, and the uncertainty regarding regulations.

#### *Weak contractual environment*

As argued, the Tanzanian contract environment is in many respects weak, with inadequate information about market agents, in-efficient court systems, and a general lack of trust. Several of the observed strategies of Tanzanian food processors may be traced back to this weak contract environment: First, it may explain why several Tanzanian food processors are relying on ethnic networks, both when they operate in Tanzania and when they move into neighbouring countries (e.g. Voil, Vickfish, Azam, Azania). Hence, an ethnic network may provide the kind of trust that is absent in the formal business environment and it may allow enterprises to engage in exchange without formal contracts. Supportive of this, several authors argue that networks (ethnic, social, gender based) are particularly important in African developing countries due to the overwhelming market and institutional failures (Rutashobya et al., 2009; McCormick, 1999; Milanzi, 2012). Second, the weak contractual environment may explain why several companies integrate massively upstream and downstream in their value chain (e.g. Tanga Fresh or Tan Dairies); they simply eschew formal contracts with other companies due to too high transaction costs of market exchange. This corroborates the argument of several institutional strategy scholars that high transaction costs of developing countries due to institutional voids facilitate internalization of activities that in more advanced markets would be subject to contract based exchange (Hoskisson et al., 2000; Peng, 2003; Wright et al., 2005).

### *Under-development of intermediaries*

The Tanzanian market for inputs was, as argued, rather underdeveloped. The rich undergrowth of suppliers and subcontractors, distributors, financial intermediaries etc. that characterizes more developed markets, is not present in Tanzania. Hence, the Tanzanian food processors have difficulties accessing capital, technology, skilled labour and supplies in the market. The underdevelopment of intermediary markets has a number of strategy implications: First, as argued by several authors (Khanna & Palepu, 1997, 2010; Ramachandran et al., 2013), failing intermediary markets favour diversified enterprises as such enterprises can draw on their reputation in one sector to raise capital in other sectors and leverage staff and managerial talent across business units in situations where labour markets fail. This may help explaining the fact that several of the case enterprises were pursuing diversification strategies (e.g. Azam, Azania, or Voil). Second, the underdevelopment of market intermediaries may help explain the high levels of value chain integration among the case enterprises (e.g. Tan Dairies or Tanga Fresh); the Tanzanian food processors seem simply to have been forced to organize the provision of inputs that in more developed markets would have been provided by market intermediaries. Third, the underdevelopment of intermediary industries may have prompted Tanzanian food processors to go abroad at early stages of their development, either to seek technical and financial assistance from development agencies and social investors (e.g. Tan Dairies and Powerfood) or to access skills and technology through partnerships with foreign firms (e.g. Tanga Fresh, Azam, and Azania). In line with this, Kuada (2006) argues that African enterprises typically start their internationalization upstream instead of downstream in their value chain, as would conventional IB literature predict. This is because African enterprises lack the competitive advantages that would allow them to overcome liabilities of foreignness in international markets. By acquiring technologies, know-how and capital from abroad, African enterprises are able to circumvent the failing local markets for intermediaries and use the acquired assets to support their domestic and international market position.



### *Uncertainties regarding regulation*

The Tanzanian government is actively involved in promoting industrial development in Tanzania and Tanzanian business regulation is changing and expanding rapidly. Decisions made by the government - e.g. lowering or raising tariffs or taxes - may with one stroke make or break the business of Tanzanian food processors. Adding to this regulatory uncertainty, corruption and rent seeking among regulators introduce uncertainties as to which standards and requirements will apply for a given activity. For Tanzanian food processors, regulatory uncertainties imply that they will have to be agile in dealing with politicians and regulators. First, they need to align their business closely with regulations. Hence, some of the Tanzanian food processors have pursued active political strategies (Azam and Voil) and have succeeded in obtaining de facto protection from foreign and local producers via tariff and local content regulations. Also at the level of implementation, it is essential for food processors to maintain good relations to regulators as they may otherwise become overwhelmed by red tape and rent seeking bureaucrats (Voil). Several scholars confirm that alignment of business activities with political interests is important in developing countries in general (Khan, 2010), in Africa in particular (Altenburg & von Drachenfels, 2006; Buur et al., 2013). Second, regulatory uncertainty could also help explain why several of the food processors are highly diversified (Voil, Azania and Azam). Hence, the institutional strategy literature argues that risks associated with regulation give large diversified enterprises an advantage over small specialized enterprises, partly because they diversify their risks related to regulatory change, and partly because they can better offset the fixed costs of political lobbying (Khanna & Palepu, 1997; 2010).

### **VIII. Implications**

Hence, the - from a mainstream strategic management perspective - rather unconventional strategies of Tanzanian food processing enterprises can be plausibly linked to institutional factors. In tracing the identified strategies back to specificities of the Tanzanian institutional environment, the analysis gives credence to the institutional strategy perspective (Peng, 2002, 2003; Khanna & Palepu, 2010; Hoskisson et al., 2000; Kostova et al., 2008) and to the argument that western strategic management thinking needs to be contextualized when studying African

enterprises (Zoogah, 2008). The institutional perspective has mostly been applied to businesses in Asian or Eastern European contexts and relatively few studies have focussed on how institutions influence strategy in Africa. The study of Tanzanian food processing enterprises contributes to filling this lacuna in the literature by refining and deepening hypotheses regarding African enterprise strategy in light of institutional challenges. Hence, it is hypothesized that African enterprises to a relatively high degree are

- pursuing value chain integration strategies
- pursuing diversified strategies
- using informal network based strategies
- seeking to influence and change the political and regulatory environment
- internationalizing upstream in their value chains at early stages

It is further hypothesized that these - seen through the lenses of mainstream strategic management thinking – rather unconventional strategies could be seen as driven by institutional specificities of the African business environment related to

- weak contractual environments which prompt informal network strategies and high levels of internalization
- underdeveloped intermediary industries which prompts high levels of internalization, diversification and early upstream internationalization
- uncertainty regarding regulations which prompts diversification to spread risks and political strategies aimed at shaping regulation and reducing rent seeking

Future studies of African enterprise strategy could make these hypotheses subject to statistical analysis based on larger samples of enterprises. Such research should examine variations in strategies across different institutional environments (e.g. countries) and should control for factors that may interact with institutional factors to influence enterprise strategy (e.g. industry and firm capability factors).

## **IX. Conclusion**

This paper contributes to the strategic management literature on African enterprises by developing a deeper understanding of how Tanzanian medium-sized and large enterprises deal with the challenging Tanzanian institutional environment. Five generic strategies were identified based on the seven case studies; strategies that contrast sharply with the kinds of strategies that are typically predicted to be effective by conventional strategic management thinking: Instead of competitive strategies directed at positioning against industry peers, the Tanzanian food processors adopted collaborative and political strategies that largely suspended competition; Instead of specialization strategies, Tanzanian food processors integrated upstream and downstream eventually obtaining more or less total control of their value chains; Instead of focusing on one industry or one product category, Tanzanian food processors diversified into completely unrelated industries; And instead of internationalizing based on technological and organizational strengths and strong home market positions, Tanzanian food processors internationalized to acquire assets that could not be acquired in the home market. Hence, the strategies adopted by the Tanzanian food processors were strategies that in a developed market context would be deemed marginal, ineffective or obsolete. However, our interpretation is that the identified strategies are perfectly rational - and indeed necessary - strategies for enterprises operating in contexts where the institutional environment supporting business activity is highly imperfect. Hence, most of the strategic responses identified in this paper could reasonably be explained with specificities of the institutional environment, e.g. the weak contractual environment, the underdeveloped intermediary industries and the uncertain regulatory environment.

The analysis of coping and winning strategies of Tanzanian food processing enterprises enabled us to extend the strategic management literature's strategy spectrum to include strategies that are rooted in institutional environments that are radically different from those typically studied by strategic management scholars. Overall, the analysis reaffirmed the importance of explicating the specificities of context in strategy analysis, thus giving credence to the institutional strategy perspective.

## References

- ACI (African Capitalism Institute) (2014). Unleashing Africa's Entrepreneurs: Improving the Enabling Environment for Start-ups. Lagos: *The Tony Elumelu Foundation*.
- Altenburg, T. & Von Drachenfels, C. (2006). The 'New Minimalist Approach to Private-Sector Development: A Critical Assessment. *Development Policy Review*, 24(4), 387-411.
- Alos, A. J. (2000) Creating Value Under Uncertainty. *Journal of African Business*, 1(1), 9-24.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- Biggs, T. & Shah, M. K. (2006). African small and medium enterprises, networks, and manufacturing performance. *World Bank policy research working paper* 3855
- Bigsten, A. & Söderbom, M. (2006). What have we learned from a decade of manufacturing enterprise surveys in Africa? *The World Bank Research Observer*, 21(2), 241-265.
- Bigsten, A. et al. (2004). Do African manufacturing firms learn from exporting?. *Journal of development studies* 40(3), 115-141.
- Bohn, H. & Deacon, R. T. (2000). Ownership risk, investment, and the use of natural resources. *American Economic Review*, 90(3), 526-549.
- BCG (Boston Consulting Group) (2010). The African Challengers. Global Competitors Emerge from the Overlooked Continent? *Boston Consulting Group*.
- Buur, L., Therkildsen, O., Hansen, M. W. & Kjær, M., (2013). Extractive Natural Resource Development: Governance, Linkages and Aid. *Copenhagen: Danish Institute for International Studies*.
- Comment, R. & Jarrell, G. A. (1995). Corporate focus and stock returns. *Journal of financial Economics*, 37(1), 67-87.
- Conner, K. (1991). A Historical Comparison of Resource-Based Theory and Five Schools of Thought Within Industrial Organization Economics: Do We Have a New Theory of the Firm? *Journal of Management*, 17, 121-154.
- Cooksey, B. & Kelsall, T. (2011). The political economy of the investment climate in Tanzania. *Africa Power and Politics Programme Background Paper*, 1.
- Dunning, J. H. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity." *International business review* 9(2), 163-190.
- Fafchamps, M. (2004). Market institutions in sub-Saharan Africa: Theory and evidence. *MIT Press Books*, 1.
- Fjeldstad, O.-H. et al. (2006). Tax evasion and fiscal corruption: Essays on compliance and tax administrative practices in East and South Africa. *Norwegian School of Economics and Business Administration*.
- Gibbert, M., Ruigrok, W. & Wicki, B. (2008). Research notes and commentaries what passes as a rigorous case study. *Strategic management journal*, 29(13), 1465-1474.
- Gibbon, P. & S. Ponte. (2005). Trading down: Africa, value chains, and the global economy. *Temple University Press*.
- Gold, M. & Luchs, K. (1993). Why Diversify? Four Decades of Management Thinking. *Pada Faulkner*, 2003, Vol II, Bab 18.
- Guillen, M. F. (2000). Business groups in emerging economies: A resource-based view. *Academy of Management Journal*, 43(3), 362-380.
- Haggard, S., Maxfield, S. & Schneider, B. R. (1997). Theories of business and business-State relations. In, Maxfield, Sylvia & Ben Ross Schneider (eds.), Business and the state in developing countries. *Itacha, NY: Cornell University Press*, 36-60.

- Hallberg, K. (2000). A market-oriented strategy for small and medium scale enterprises. Vol. 63. *World Bank Publications*.
- Hamel, G., Doz, Y. L., & Prahalad, C. K. (1989). Collaborate with your competitors and win. *Harvard business review*, 67(1), 133-139.
- Hansen, M. W. (2013). Reaping the reward of foreign direct investments: Linkages between extractive MNCs and local firms in Tanzania. *DIIS Working Paper*, (22): 1-44.
- Hoskisson, R. E., Hitt, M. A., Wan, W. P., & Yiu, D. (1999). Theory and research in strategic management: Swings of a pendulum. *Journal of management*, 25(3), 417-456.
- Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in emerging economies. *Academy of Management Journal*, 43(3), 249-267.
- Ishengoma, E. K. (2016). Financial linkages and cost efficiency: Lessons from Tanzanian micro finance cooperatives. *Business Management Review* 14(1), 1-22.
- Jalilian, H., Kirkpatrick, C., & Parker, D. (2007). The impact of regulation on economic growth in developing countries: A cross-country analysis. *World development*, 35(1), 87-103.
- Johanson, J. & Vahlne, J.-E. (1978).-A model for the decision making process affecting the pattern and pace of the internationalization of the firm. *European Research in International Business. Amsterdam: North-Holland*, 47(3), 111–140.
- Johanson, J. & Vahlne, J.-E. (2009).The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, Academy of International Business, 40(9), 1411–1431.
- Kessy, S. & Temu, S.S. (2010). The impact of training on performance of micro and small enterprises served by microfinance institutions in Tanzania. *Research Journal of Business Management*, 4(2), 103–111.
- Khanna, T. & Palepu, K. (1997).Why focused strategies may be wrong for emerging markets. *Harvard business review* 75(4), 41-48.Khanna, T. & Palepu, K. G. (2010). Winning in emerging markets : a road map for strategy and execution. *Harvard Business Pr., Boston, Mass.*
- Khanna, T. & Palepu, K. G. (2010). Winning in emerging markets : a road map for strategy and execution. *Harvard Business Pr., Boston, Mass.*
- Kiggundu, M. N. (2002). Entrepreneurs and entrepreneurship in Africa: What is known and what needs to be done. *Journal of developmental entrepreneurship* 7(3), 239.
- Kinda, T. & Loening, J. L. (2010). Small Enterprise Growth and the Rural Investment Climate: Evidence from Tanzania. *African Development Review*, 22(1), 173–207.
- Kock, C. J. & Guillén, M. F. (2001). Strategy and structure in developing countries: Business groups as an evolutionary response to opportunities for unrelated diversification. *Industrial and corporate change*, 10(1), 77-113.
- Kolk, A. & Lenfant, F. (2010). MNC reporting on CSR and conflict in Central Africa. *Journal of Business Ethics*, 93(2), 241–255.
- Kostova, T., Roth, K. & Dacin, M. T. (2008). Institutional theory in the study of multinational corporations: A critique and new directions. *Academy of management review* 33(4), 994-1006.
- Kuada, J. (2006, August). Internationalisation of firms in developing countries: towards an integrated conceptual framework. In *International Conference on Globalization, Internationalization of Companies and Cross-cultural Management*, Aalborg.
- Langevang, T. & Gough, K. V. (2012). Diverging pathways: young female employment and entrepreneurship in sub-Saharan Africa. *The Geographical Journal*, 178(3), 242-252.

- Liedholm, C. E. & Mead, D. C. (2013). Small enterprises and economic development: the dynamics of micro and small enterprises. *Routledge*.
- McCormick, D. (1999). African enterprise clusters and industrialization: theory and reality. *World development* 27(9), 1531-1551.
- McDade, B. E., & Spring, A. (2005). The 'new generation of African entrepreneurs': networking to change the climate for business and private sector-led development. *Entrepreneurship & Regional Development*, 17(1), 17-42.
- McKinsey (2010). Lions on the move: The progress and potential of African economies. *McKinsey Global Institute*.
- Meyer, K. E. & Peng, M. W. (2005). Probing theoretically into Central and Eastern Europe: Transactions, resources, and institutions. *Journal of international business studies* 36(6), 600-621.
- Mellahi, K. & Mol, M. J. (2015). Africa is just like every other place, in that it is unlike any other place. *Africa Journal of Management: 1-9*.
- Milanzi, M. A. (2012) Export Barrier Perceptions in Tanzania: The Influence of Social Networks. *Journal of African Business*, 13(1), 29-39.
- Mintzberg, H. (2003). The strategy process: concepts, contexts, cases. Pearson education.
- Morris, M., Kaplinsky, R., & Kaplan, D. (2012). One thing leads to another: Promoting industrialisation by making the most of the commodity boom in sub-Saharan Africa. *Lulu.com*.
- Moyo, D. (2009). Dead aid : why aid is not working and how there is a better way for Africa. *Farrar, Straus and Giroux, New York*.
- Ougudonto, A. (2007). Strategic Management in African firms: a Local Perspective. *Problems and Perspectives in Management*, 5(1), 82-96.
- Ozcan, P., & Santos, F. M. (2014). The market that never was: Turf wars and failed alliances in mobile payments. *Strategic Management Journal*, 36(10), 1486-1512.
- Page, J. (2013). Should Africa industrialise? In Szirmai, A., Naude, W. and Alcorta, L. (eds.). *Pathways to Industrialization in the Twenty-first Century: New Challenges and Emerging Paradigms*. UNU-WIDER Studies in Development Economics. *Oxford: Oxford University Press*.
- Palich, L. E., Cardinal, L. B., & Miller, C. C. (2000). Curvilinearity in the diversification-performance linkage: An examination of over three decades of research. *Strategic management journal*, 21(2), 155-174.
- Peng, M. W. (2002). Towards an Institution-Based View of Business Strategy. *Asia Pacific Journal of Management*, Kluwer Academic Publishers 19(2-3), 251-267.
- Peng, M. W. (2003). Institutional Transitions and Strategic Choices. *Academy of Management Review*, 28(2), 275-296.
- Peng, M. W. et al. (2009). The Institution-Based View as a Third Leg for a Strategy Tripod. *The Academy of Management Perspectives*, 23(3), 63-81.
- Porter, M. E. (1981). The contributions of industrial organization to strategic management. *Academy of Management*, 6(4), 609-620.
- Prahalad, C. K. & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*, 68(3), 79-91.
- Pratt, M. G., Rockmann, K. W., & Kaufmann, J. B. (2006). Constructing professional identity: The role of work and identity learning cycles in the customization of identity among medical residents. *Academy of management journal*, 49(2), 235-262.

- Quelch, J. A. & Austin, J. E. (2012). Should multinationals invest in Africa? *Image*.
- Quinn, J. B. (2013). Strategic outsourcing: leveraging knowledge capabilities. *Image*, 34.
- Quinn, J. B. & Hilmer, F. G. (1995). Strategic outsourcing. *The McKinsey Quarterly*, McKinsey & Company, Inc., No. 1, p. 48.
- Ramachandran, J., Manikandan, K. S., & Pant, A. (2013). Why conglomerates thrive (Outside the US). *Harvard Business Review*, 91(12), 110.
- Rodrik, D. (1998). Trade policy and economic performance in Sub-Saharan Africa (No. w6562). *National Bureau of Economic Research*.
- Rodrik, D. (2014). An African Growth Miracle? No. w20188. *National Bureau of Economic Research*, 2014.
- Rugman, A. M. & Verbeke, A. (2003). Multinational enterprises and public policy. *International Business*. Palgrave Macmillan UK, 21-43.
- Rutashobya, L. K., Allan, I. S. & Nilsson, K. (2009). Gender, social networks, and entrepreneurial outcomes in Tanzania. *Journal of African Business*, 10(1), 67–83.
- Streb, C. (2010). Exploratory case study. In A. Mills, G. Durepos, & E. Wiebe (Eds.), *Encyclopedia of case study research*. (pp. 373-375). *Thousand Oaks, CA: SAGE Publications*.
- Svensson, J. (1998). Investment, property rights and political instability: Theory and evidence. *European Economic Review* 42(7), 1317-1341.
- Sutton J. & Olomi D. (2012). An Enterprise Map of Tanzania. *International Growth Centre*. Available at, <https://www.theigc.org/wp-content/uploads/2012/12/An-Enterprise-Map-of-Tanzania-English.pdf> (accessed 10 May 2017)
- Tallman, S. B. (2007). A new generation in international strategic management. *Edward Elgar Publishing, Cheltenham, UK*.
- Tracy, S. J. (2010). Qualitative quality: Eight “big-tent” criteria for excellent qualitative research. *Qualitative inquiry*, 16(10), 837-851.
- Tvedten, K., Hansen, M. W. & Jeppesen, S. (2014). Understanding the rise of African business: in search of business perspectives on African enterprise development. *African Journal of Economic and Management Studies*, 5(3), 249-268.
- Uchenna, U. & Mair, J. (2014). Source and patterns of organizational defiance of formal institutions: Insights from Nollywood, the Nigerian movie industry. *Strategic Entrepreneurship Journal*, 8, 56–74.
- UNIDO. (2012). Promoting Industrial Diversification in Resource Intensive Economies. *Vienna: UNIDO*.
- UNIDO. (2013). Industrial Development Report 2013. Vienna: *United Nations Industrial Development Organization*.
- Wangwe, Samuel, et al (2014). The performance of the manufacturing sector in Tanzania: Challenges and the way forward. *UNU-WIDER, WIDER Working Papers*, WP/2014/085.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171–180.
- World Bank (2014). Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises. *Washington: World Bank*.
- World Economic Forum (WEF) (2013). *Africa Competitiveness Report 2013*. World Economic Forum Geneva. Available at: <http://www.weforum.org/reports/africa-competitiveness-report-2013> (accessed, June, 2015).
- Wright, M., Filatotchev, I., Hoskisson, R. E., & Peng, M. W. (2005). Strategy research in emerging economies: Challenging the conventional wisdom. *Journal of management studies*, 42(1), 1-33.
- Yin, R. (1994). Case Study Research. 2nd ed. *Thousand Oaks, CA: Sage*.

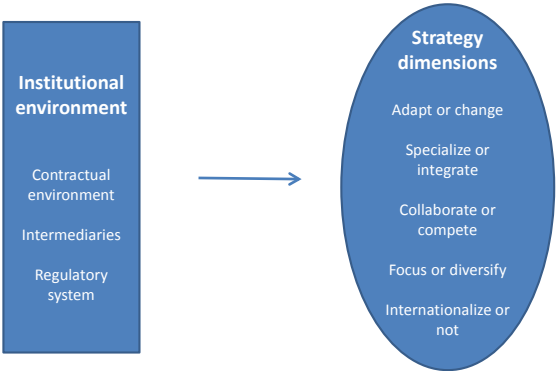
Yin, R. K. (2009). *Case Study Research: Designs and Methods*. Los Angeles: Sage.

Yip, G. S., Biscarri, J. G., & Monti, J. A. Monti. (2000). The role of the internationalization process in the performance of newly internationalizing firms. *Journal of international marketing* 8(3), 10-35.

Zoogah, D. (2008) African Business Research: A Review of Studies Published in the Journal of African Business and a Framework for Enhancing Future Studies, *Journal of African Business*, 9(1), 219-255



**Figure 1: Institutional environment in developing countries and strategy dimensions**



Based on Khanna and Palepu, 2010

**Table 1. Overview of Case Data**

Firm	Sector	Emplo-ees	Perfor-mance	Key strategy elements	Institutional factors	Exemplary quotes
Tandiaries <sup>1</sup>	Dairy	55	Low productivity Struggling to move to growth path	Upstream and downstream value chain integration Accessing capital and know-how through donors	Falling markets for upstream and downstream products and services Falling markets for inputs (capital) Unstable power supply	<p>Our intention is to develop the value chain for the dairy industry and make profit". "In collaboration with NGOs, we have made a supplier development programme with value chain analysis, consultants and seminars for farmers in several areas. We have been teaching farmers to plant grass for animal feeds"</p> <p>"We are also selling directly via small kiosks and street vendors where an NGO from Austria was helpful in developing packaging. But packaging is very expensive due to import duties. Also ASTRO project gave us cold room, milk cooling tank."</p> <p>"Since there are no skilled dairy people in Tanzania, we needed to train them ourselves with help from France and Netherlands. We now need to train marketing people as well".</p> <p>"Our vision is to focus more on marketing and sale but it is very difficult to get credit to finance this." "To build up an agent doesn't work so we want to establish our own marketing."</p> <p>"Competition doesn't matter, my passion is to develop my local area as there is plenty of milk to everyone. I want to take money to the rural area." "Data has revealed about 4 million litres uncollected due to lack infrastructure and electricity." "We closed down our collection centre because the government places a lot of specifications and demanded licenses."</p>
Tanga Fresh <sup>1,2</sup>	Dairy	60	High productivity Production excellence Stable growth	Upstream and downstream value chain integration Technology and knowhow acquisition from abroad Political lobbying strategy	Falling markets for upstream and downstream products and services Falling markets for inputs (technology and capital)	<p>"The main challenge has been shortage of milk during the dry season and quality control in the milk processing centres. Although TF invests in modernization of milk processing centres, in some cases, farmers sell their milk to competitors". "Plenty of NGOs want to develop farmers but this does not work without other parts of the value chain, problem is politicians only talk about small farmers"</p> <p>"We are marketing through agents. But, it is too demanding to manage the value chain and we would like to focus on processing and collection".</p> <p>"The main business environment challenges are regulations, competition from imported milk, and volatility of business environment"</p> <p>"We very successfully lobbied for a taxexemption and saved \$200,000"</p> <p>"Our philosophy is not to compromise quality"</p>
Vick fish <sup>1,2</sup>	Fish process sing	600	Production excellence Struggling to keep export market position	Early exports to global markets (born global) Technology and knowhow acquisition from abroad Network based int. nat. strategy	Un-predictable export requirements and markets Lack of local certification schemes Transport infrastructure barriers Lack of regulation of inputs	<p>"Our main advantages are top management, technical teams and floor workers. European buyers which take 70% of production are very strict. We need certifications and a lot of documentation".</p> <p>"Fish is livelihoods for millions of people along the Lake Zone. There are many factories and support activities for factories".</p> <p>"buyers came flying in in 1997 and saw the opportunity to source here. We got certified so the supermarkets could buy from us".</p> <p>"Tanzania did not have good export policy, it banned export of Tilapia but Nile Perch can be exported as local people don't like it".</p> <p>"Everyone wants to get into the industry, we now need to move to sustainable". "The margins are very low, so we continue in order to guarantee employment to workers"</p> <p>"The main international competition is unfair competition from Vietnam and from European cod". "Illegal fishing is very rampant which leads to reduced fish supply"</p>
Voil <sup>1,2,3</sup>	Edible oils	300	Low productivity Declining market shares	Network based strategy Political lobbying strategy Diversification/ divestment Niche market strategy	Government red tape and rent seeking Opening up of sector to imports	<p>"With this poor business environment, it sometimes becomes cheaper to buy already refined products from abroad and sell them cheaper in our local market". "If anyone came with an investment proposal I would say no. We will go into hospitally instead". "There is no role of law in Tanzania business. They come with manuals meant for Europe and they have power to shut down enterprises. Pay them off is the only way to operate". Returns are too low and would rather go to Uganda". "There are multiplicity of taxes and regulators"</p> <p>"We are struggling to lodge our complaints to the government, however, no positive responses yet. Competition in the industry is manageable except the competition of imports of palm oil from abroad i.e. Malaysia, Indonesia. Malaysia imposed 2% export tax on crude oil to protect their refineries."</p> <p>"We had 70-80% of market until the 1990s but liberalization destroyed the market with dumping of imports of palm oil from Malaysia which is not a level playing field". "We don't have a chance against imports because of transport costs due to bad infrastructure, especially with the collapse of the Central railway line, makes transport to Dar more expensive than transport from Malaysia".</p>
Azam <sup>1,2</sup>	Grain milling	3000	Production excellence Growing shares in national and regional markets	Political representation and networks Diversification Upstream and downstream value chain integration Early FDI in neighboring countries	Un-stable energy deliveries Deficient trade and transport infrastructure Sudden changes in tariff regimes	<p>"Staff turnover is very low and we operate like Japanese companies. We provide staff houses, bonus, transport, best working relationships, promotion from within, etc. We are working like one family. It is more or less like the Japanese model". "In the wheat flour sub-sector there are no competitors in Tanzania but only followers"</p> <p>"Contract farming is a theoretical concept which may be applied in few cases, such as sugar cane and barley. For the last 15 years we have dealt with middlemen and still the business is prospering. Constant contracts with the middlemen lead to no stock-out situations. They are in business and we are as well in business." "We are not involved in distribution our customers do the distribution. It is a unique system. It is all based on trust-no contracts. We are only serving the northern and lake zones by our own trucks, so we subsidizing there."</p> <p>"The government had imposed a 35 percent tariff on wheat. In order to protect local farmers, lobbying for the removal of this import duty took a lot of our efforts.... I have personally met with the members of the parliamentary committee in charge of policy issues. The government had to understand due to volatility of the world price of wheat and its sensitivity to food security". "Our plants need 40 megawatts so we cannot afford to generate own power. We have very good relations with TANESCO, the power company".</p> <p>"When approaching these two markets (Uganda and Rwanda), the company began by exporting however realized that having a plant operating locally in each country could create a competitive advantage". "We do FDI to better compete with the competition from e.g. South Africa"</p>
Anzania <sup>1,2</sup>	Grain milling	350	Excellence in marketing Struggling to gain shares in national and regional markets	Differentiation strategy Diversification Upstream and downstream value chain integration Early FDI in neighboring countries	Favoring of large incumbent firms Deficient trade, energy and transport infrastructure Sudden changes in tariff regimes Opportunism among suppliers and service providers	<p>"We also make polybags for packaging our flour, but also sell the polybags to other companies"</p> <p>"We know the geography of the regions. We go to market when people have purchasing capacity e.g. after the harvest. We also know the variations in tastes in different regions. We can tailor make our flour products. We go directly to customers, e.g. hotels, restaurants and kitchens".</p> <p>"We have agents in all regions. We don't sell to anyone as our products may be diluted thus harming our reputation. Therefore we only use our own distributors".</p> <p>"No sourcing, there are no serious wheat producers in Tanzania. Farmers are not faithful and will sell to others if you make contracts with them".</p> <p>"Transportation is an enormous risk in Tanzania. Apart from the accidents you are constantly stopped by the police. We only remain in transport is for security reasons".</p> <p>"You have to protect our industry as costs in Tanzania are high, e.g. electricity and transport. We should not allow dumping in the mainland (as has happened in Zanzibar)".</p> <p>"Problem is that government has been there too long. If you hold a place too long you forget yourselves. You cannot have success in this country without political contacts".</p> <p>"We lobby with government and talk to parliament for them to remove duty on wheat imports so that customers can afford the final product, e.g. bread. So duty is removed"</p>
Power food <sup>1</sup>	Grain milling	35+	Production excellence Stragrant growth	Technology and knowhow acquisition from donors Export to niche markets Social enterprise strategy	Lack of access to capital and technology Red tape for licenses and certifications Quality inputs not available in home market	<p>"Business out of heart not out of the brain. For me it is not a business, it is a life style".</p> <p>"There is a local need but the people cannot afford it and the government doesn't have a budget. There is no focus on nutrition. There might be donors who have funds to buy this, but there is no facilitation. There is no strategy from the government to make sure that the product is there. They talk about it but there is no action. You need support from somebody. If you are doing it for the benefit of the people the government should help you".</p> <p>"Importation of the raw materials increases the costs but local producers cannot meet the required standards".</p> <p>"It takes too long to do business in Tanzania. Business is about opportunity, it is not about discussing...". "I managed to move forward because I know people. I go in the back door, not the front door. You have to make a lot of follow up. That is the mentality. It is a polluted system. Everyday is relaxing".</p> <p>"...if you are fighting with a man for the same thing you won't get it. They will tell you, why don't you stay at home?"</p>

**Notes:**

1. Based on interviews conducted with companies in 2013 and 2014.
2. Data on activity organization, ownership and finances available from Tanzania Enterprise Survey (Sutton & Olomi, 2012)
3. No home page available

**Table 2: Generic strategies of Tanzanian enterprises**

Strategy dimension	Strategies emphasized by conventional strategy thinking	Strategies of Tanzanian enterprises
<b>Focus or diversify</b>	<i>Specialization in industries and products</i>	<i>Diversification across unrelated industries</i>
<b>Specialize or integrate</b>	<i>Focus on core competencies/ functional specialization</i>	<i>(Total) value chain integration</i>
<b>Collaborate or compete</b>	<i>Competitive strategy based on positioning and differentiation</i>	<i>Collaborative strategy based on ethnic and economic networks</i>
<b>Adapt to or change context</b>	<i>Treat regulation and prices as exogenous to firm strategy</i>	<i>Influence regulation, entry and prices via political contacts</i>
<b>Internationalize to exploit or build advantages</b>	<i>Downstream internationalization to exploit advantages derived from strong home market position</i>	<i>Upstream internationalization from weak home market position</i>