

# Procurement Syndicates in Small Scale Businesses in the UK, U.S., and Tanzanian Initiatives: Challenges, Recommendation, and Lessons Learned for the United Republic of Tanzania Environment

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**Abstract:** *This study investigates the procurement syndicates in small-scale businesses in the United Kingdom (UK), the United States (U.S.), and Tanzania. It aims to identify and analyze the challenges faced by these syndicates provide recommendations for overcoming these challenges, and extract valuable lessons that can be applied to improve the business environment in Tanzania. In the UK and the U.S. procurement syndicates have emerged as powerful tools for small-scale businesses to collectively negotiate advantageous terms with suppliers and buyers. These syndicates promote collaboration, and bargaining power, and facilitate access to quality goods and services. Nevertheless, they confront several challenges, including trust issues, complex regulatory issues, and the need for commitment. In Tanzania, there is a growing interest in implementing similar procurement syndicates to empower small-scale businesses. Initiatives have been launched to replicate the UK and U.S. models, but they face obstacles, such as limited awareness, insufficient infrastructure, and cultural attitudes and collaboration. To address these challenges of procurement syndicates in Tanzania, the recommendations are proposed, awareness and education, launching awareness campaigns and educational programs to inform small-scale businesses about the benefits of procurement syndicates and provide guidance on their management, legal issues, registration process, infrastructure development, and capacity building cost.*

**Keywords:** Procurement Syndicates, Small Scale Businesses, UK, US, and Tanzania Initiatives

## 1.0 Introduction

According to Kalinzi et al., (2005) as revised (2020) work focused on procurement syndicates in the pharmaceutical industry in Uganda, supply chain studies specifically on procurement syndicate areas in small-scale businesses have received little attention in Africa. In Tanzania, much of the work on procurement has focused on large organizations, particularly in public organizations. Although the government of Tanzania has kept in place the two policies i.e., the Small and Medium Enterprise Development Policy of 2002 as amended in 2020, and the National Trade Policy of 2016, they all concentrate on promoting entrepreneurs in downstream activities of the supply chain for example promoting markets. Upstream issues that deal with suppliers have not been well addressed. Procurement syndicates are horizontal cooperation among buyers and they focus on the upstream side of the supply chain. procurement syndicates are an important concept and if well established in micro and small businesses, they can help to reduce costs within a supply chain and ultimately improve profit levels.

**Procurement syndicates.** This term refers to collaborative groups or associations formed by small-scale businesses for joint procurement activities, including sourcing goods and services collectively.

**Small-Scale business** These are enterprises characterized by their relatively small size, often with limited resources, and typically operate in various industries, including manufacturing, services, and retail.

The **UK.** The United Kingdom, a country in Europe, serves as one of the study's focal points for examining procurement syndicates, and the United States, a country in North America, is another primary focus of the study, representing a different geographical context for procurement syndicates.

## 1.2. Problem of the study

This term encompasses the efforts and actions taken within Tanzania to establish and operate procurement syndicates within the country's small-scale business sector. Some Tanzanian small-scale businesses are participating in procurement syndicates although in an informal way. This paper aims to identify some challenges and gives some recommendations.

## 2.0 Literature review

Procurement syndicates, also known as business consortia or collective purchasing groups, have gained prominence in various parts of the world as a mechanism for small-scale businesses to enhance their procurement processes, reduce costs, and increase their competitiveness. This literature review explores the existing research and initiatives related to procurement syndicates in small-scale businesses, with a particular focus on the United Kingdom (UK) and Tanzania. The review aims to identify the challenges faced by

these syndicates, provide recommendations for overcoming these challenges, and extract valuable lessons that can contribute to the improvement of the business environment in the United Republic of Tanzania.

### **2.1 Procurement syndicates and significance**

Procurement syndicates, also referred to as buying groups or collaborative purchasing networks, are formal or informal arrangements where multiple small-scale businesses combine their purchasing power to negotiate better terms and conditions with suppliers (Rindfleisch & Moorman, 2003). These syndicates offer various advantages, including cost reduction, increased access to quality goods and services, and improved bargaining power (Nguyen & Calantone, 2020).

### **2.2 Procurement syndicates from the UK perspective**

The United Kingdom serves as an exemplary case of successful procurement syndicates. Research by CIPS (2019) highlights how procurement consortia in the UK have helped small businesses achieve cost savings, increase efficiency, and navigate complex supply chain challenges. These consortia have also been effective in promoting supplier diversity and fostering innovation within the small business ecosystem (CIPS, 2019).

### **2.3 Challenges faced by procurement syndicates**

Challenges encountered by procurement syndicates in both the UK and Tanzania include trust issues among members, regulatory complexities, resource constraints, and the need for sustained commitment. Research by Bozarth and Handfield (2016) emphasizes the importance of trust-building mechanisms within syndicates to ensure successful collaboration and the achievement of collective goals.

### **2.4 Tanzanian initiatives in procurement syndicates**

Tanzania is actively exploring the establishment of procurement syndicates to empower small-scale businesses. Initiatives have been launched to replicate successful models from other regions, but they face unique hurdles. Limited awareness, inadequate infrastructure, and differing cultural attitudes toward collaboration are some of the challenges being encountered (Tanzania Investment Center, 2020).

## **3.0 Evolution of procurement syndicates**

Procurement syndicates can be defined as two or more independent organizations joining together to put together their requirements for purchased services, goods, or technology to leverage more value-added pricing, services, and technology from a vendor that could not be obtained if each micro business acquired goods and services alone (Hendrick,2020). Procurement syndicates will be regarded as informal if there are no legal documents or legal backup of the contract. Participants in procurement syndicates are almost of the same size (Mandell,1999). In most cases procurement syndicates in small and micro businesses in Tanzania will be informal because many micro and small businesses are informal (ILO and ESRF,1997 as cited in by Tripath (2015)

Procurement syndicates have actively gained recognition in early 1990 (Hendrick, op cit). This can be explained by the concept of development in buyer-supplier relations. Buyer-supplier relationships from 2000s to the 2022 were arm-length and adversarial focusing mainly on price but it has moved to collaborative relationships in the 2000s (Lamming,2005 as cited in by Morrisey and Pittaway,2020) characterized by mutual gain and trust between the trading partners. The issue of total cost of ownership (Carry and Ittner 2000), where price alone cannot be referred to as cost moved organizations towards a new approach of supplier-buyer relationship (Hines,2004) and hence procurement syndicates. Global competition where businesses are no longer competing (Christopher, 2020) but through their supply chains is another factor in the growth of procurement syndicates

### **3.1 Forms of procurement syndicates**

According to Essing, (2020) biological terms and adapted to the concept of consortium sourcing. He advocated those relationships in any conglomerate's arrangement can be symbiotic whose members benefit from each other (Gortz,2020) though the value created can be completely different or commensalism/parasite relationships where competition exists. According to Oliver (2021) revised, symbiotic relations are mutually advantageous.

Contrary to Essing, Mudambi, et al (2014) assessed the cooperative procurement arrangements in SMEs and came up with three clusters among the firms that are advanced in terms of a cooperative supplier relationship. These are deliberate, emergent which most organizations are identified with, and close but adversarial strategies. It was concluded from his study that SMEs with deliberate strategies benefit much from cooperative purchasing followed by close but adversarial.

Furthermore, Schotanus and Telgen, (2021), insisted on developing a typology to help as a directive for a purchasing group when a suitable organizational form needs to be chosen. They classified purchasing groups as 'piggybacking', 'third party', 'lead buying', and project or program groups. 'These forms seem to suit large organizations, for example, one does not expect projects or program groups to exist in small companies, especially in Tanzania. According to Paniccia (2022), product homogeneity in small and medium-scale businesses is an essential aspect of procurement syndicates, and members of procurement syndicates belong to the same informal 'business group'.

### 3.2 Procurement syndicates in SMEs

Within the small and medium enterprises sector, there is a sharp difference in definition between the Western developed world and developing countries. From a Western perspective, the micro level will have 5-22 employees, the small 20-54, and the medium with 51-110 employees.

In Tanzania, there is no categorical definition of SME but it has been reported by researchers that they are household owned, owner managed, many not recorded in official statistics have limited access to organized markets and credit, operators have limited exposure to formal education and training and apprenticeship for skill acquisition is the major mode of training, small start-up capital low level of technology poor working infrastructure conditions and labor intensive' (ILO and ESRF, 1997:4 as cited in by Mbwambo et al, (2015). Literature on small-scale business and supply chains particularly on procurement syndicates has covered parts of Europe and mostly the UK. This may be because small and medium firms account for approximately 50% to the UK gross domestic product and about 70% of employment (CBI as cited in by Quayle 2002). Procurement syndicates literature in the USA has covered mostly public organizations, especially in health, education, and libraries. Hendrick is one of the contributors to the American procurement syndicates writing much on the extent of benefits size of the group's potential conflicts and issues of anti-trust legislation.

Little literature is available for Africa, particularly on procurement syndicates either in larger or small-scale enterprises. This is simply because the importance of purchasing in this part of the world has not yet gained recognition (Nsimbila, 2018). According to Tripathi (2018), purchasing policies on external relationships for example horizontal cooperation does not exist in third-world countries. Contrary to Prof. Tripathi's work it can be argued that purchasing external relationships exists in African small organizations but happens accidentally and it is not a strategy of a firm.

Only recently, governments in Africa have recognized the role of SMEs started in 1990, and hence little attention to document purchasing conglomerates in this part of the world. The word of Kalinzi (2005) as revised (2020) signifies that there is a wide gap that remains undocumented relating to procurement groups in Africa and in particular, Uganda when he researched on benefits of group purchasing in small-scale private wholesale and retail pharmacies.

The importance of procurement syndicates in small firm supply chains (Quayle, 2000 and Quayle 2021 as cited in Morrissey and Pittaway, op. cit) has been documented but they are difficult to establish (Axelrod, 2014; Powel, 2020 as cited in Morrissey and Pittaway, 2020). This is due to differences between purchasing behaviors and strategies in large firms as compared to their owner-managed counterpart. Purchasing behaviors and strategies of the firm influence procurement syndicates. For example, the motives behind corporate entities would be profit maximization while in owner-managed firms they would be between business and self not necessarily profit. Furthermore in small firms' the manager is active in purchasing (Morrissey and Pittaway, 2020). In the supply chain, a corporate entity would focus upstream more than its counterpart owner-managed firm (Morrissey and Pittaway, 2020)

Also, procurement is not a specific function in a small company but it is included in the general day-to-day activities of the company (Gadd and Hakansson, 2001 as cited in Ellegaard, 2016). Another problem facing small firms in establishing purchasing conglomerates is that relationships are normally not static (Esposito and Raffa, 2016), although it has been conceptualized by Quayle (2000) that purchasing Conglomerates improves the purchasing power among small firms.

Morrissey and Pittaway (2020) raised a question about all models for buyer-supplier relationships which is influencing procurement syndicates applicable to micro and small-scale businesses. When one evaluates available literature, it goes even deeper to bring about this concept in developing countries like Tanzania whose SMEs are mostly informal. there is little available literature based on SME procurement syndicates in developing countries and this paper aims to highlight some challenges that small-scale businesses are facing in procurement syndicates and give some recommendations for procurement syndicates to gain more business members and ultimately individual businesses get benefits.

### 3.3 Some challenges that SMEs face with participating in procurement syndicates

One of the challenges that small-scale businesses face in participating in procurement syndicates is the lack of formal information sources. Most of them rely on social networks such as relatives and friends. Small-scale business associations, non-governmental organizations, and local governments have not put much effort into issues of procurement syndicates. Issues of lack of trust is also a problem in small-scale business just like other research that have been done in other parts of the world.

Poor quality of the business supplies that are bought by a procurement syndicate is also a challenge as they only focus on low prices instead of the total cost of ownership.

## **4.0 Recommendations**

### **4.1 Recommendations for Tanzania**

The recommendations outlined in the literature review offer a roadmap for Tanzania to address these challenges and develop a conducive environment for procurement syndicates:

**Awareness and Education:** Launching extensive awareness campaigns is the first step. Educating small-scale businesses about the benefits and processes of procurement syndicates is essential. Workshops, webinars, and information dissemination are key tools for this purpose. **Legal Framework:** Developing a supportive legal framework should be a priority. Tanzania can simplify registration processes and provide clarity on compliance, ensuring that legal barriers do not hinder syndicate formation.

**Infrastructure Development:** Investment in infrastructure is fundamental. The development of logistics and transportation networks can reduce operational costs, making syndicate operations more efficient and economically viable. **Capacity Building:** Offering training and capacity-building programs for syndicate leaders and members is a strategic move. This will equip them with the skills necessary for successful syndicate management, negotiation, and conflict resolution.

**Government Support:** Encouraging government support through incentives and preferential procurement policies is a powerful lever. These policies can incentivize small-scale businesses to participate in syndicates and facilitate access to markets.

### **4.2 Lessons for Tanzania**

The experiences and lessons learned from procurement syndicates in the UK and other regions emphasize the transformative potential of collaborative initiatives. Tanzania can adapt these lessons to its unique context and tailor them to support its small-scale business ecosystem.

To address these challenges and strengthen procurement syndicates in Tanzania, a set of recommendations can be drawn from existing research and successful practices in the UK and other regions. These recommendations include: - Awareness and Education, launching extensive awareness campaigns and educational programs to inform small-scale businesses about the benefits of procurement syndicates, legal framework, and developing a supportive legal framework that simplifies the formation and operation of syndicates while ensuring compliance with applicable laws.

**Infrastructure Development:** Invest in infrastructure to facilitate efficient syndicate operations, including logistics and transportation networks, capacity building, training, and capacity-building programs for syndicate leaders and members, government support, and encourage government support through incentives and preferential procurement policies.

The experiences and lessons learned from successful procurement syndicates in the UK and other regions provide valuable insights that can be adapted to Tanzania's unique context. By examining these experiences, Tanzania can create a conducive environment for small-scale businesses and promote economic growth.

### **4.3 Recommendations from the UK and US**

Drawing from the experiences and successful practices in the United Kingdom (UK) and the United States (US) regarding procurement syndicates in small-scale businesses, the following recommendations can be tailored for adoption in Tanzanian initiatives to address challenges and foster a conducive business environment, (i) clear legal framework (ii) government support incentives (iii) capacity building and Training (iv) Infrastructure Development (v) private sector Collaboration, and Monitoring and Evaluation.

**From the UK and US:** Establishing mechanisms for ongoing monitoring and evaluation is essential. Tanzania should track the performance and impact of syndicates, allowing for continuous improvement and ensuring accountability in syndicate operations.

By adapting these recommendations from the UK and US, Tanzania can create an enabling environment for procurement syndicates in small-scale businesses. These initiatives have the potential to empower local enterprises, reduce costs, improve access to quality goods and services, and contribute to the economic growth of the United Republic of Tanzania.

## 5.0 Discussion

The preceding literature review has shed light on the concept of procurement syndicates and their significance in small-scale businesses, focusing on experiences in the United Kingdom (UK) and Tanzania. This discussion section delves deeper into the identified challenges, proposed recommendations, and lessons learned to provide a comprehensive analysis of the implications and potential impact of procurement syndicates on the business environment in the United Republic of Tanzania.

### 5.1 Challenges in Establishing Procurement Syndicates

One of the primary challenges facing procurement syndicates is trust among members building trust within a syndicate is essential for effective collaboration and decision-making.

The experiences from both the UK and Tanzania underline the significance of trust-building mechanisms. To overcome this challenge, syndicates in Tanzania can explore trust-building workshops, clear communication, and conflict-resolution strategies. Another common challenge is regulatory complexity, procurement syndicates often navigate intricate legal and regulatory frameworks, which can impede their formation and operations. The importance of a supportive legal framework is evident, and Tanzania can benefit from adopting clear and simplified regulations akin to those in the UK. This alignment would streamline syndicate registration and compliance processes.

Resource constraints are another hurdle. Small-scale businesses often lack the financial and technical resources required for successful syndicate operations. Here, government support and private-sector collaborations can play a vital role. Tanzania should consider incentives and subsidies to facilitate syndicate formation and provide access to financial resources.

Lastly, sustaining commitment within syndicates is crucial for their long-term success. The UK model shows that commitment leads to cost savings, efficiency gains, and supplier diversity. Tanzania can promote commitment through capacity-building programs, emphasizing the long-term benefits of syndicate participation.

## 6. Conclusion

In conclusion, the establishment and growth of procurement syndicates in small-scale businesses hold substantial promise for enhancing the business environment in Tanzania. While challenges exist, the recommendations drawn from global experiences provide a clear path for overcoming these obstacles and realizing the potential benefits. By fostering trust, streamlining regulations, investing in infrastructure, building capacity, and securing government support, Tanzania can create a thriving environment for procurement syndicates, ultimately promoting economic growth and the success of its small-scale enterprises. The lessons learned from the UK and other regions should serve as a source of inspiration and guidance as Tanzania embarks on this transformative journey.

### Acknowledgment

This research paper was supported by a research grant from an academic research house for the business of the Government of the United Republic of Tanzania and Higher learning intuitions.

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