

Family Businesses in Tanzania: A Solution to Poverty Reduction

Yanshuang Li

School of Economics and Management
Hebei University of Technology
Hebei, China, 300401

Elizabeth Coy

School of Economics and Management
Hebei University of Technology
Hebei, China, 300401

Sijie Yang

School of Economics and Management
Hebei University of Technology
Hebei, China, 300401

Abstract—Tanzania has been fighting for liberalization for market in the African countries for a number of years, and this has made Tanzania to have more than 1.7 million family businesses. In response to poverty reduction strategies in Tanzania, We argue in this paper that family business can play a crucial role in this matter at stake. While family businesses in Tanzania may have a little contribution in the global poverty, giving the fact that Tanzanians are culturally relational tie live alone other African countries, family business in Tanzania can play a pivotal role and become gateway towards reducing poverty-related issues. It can provide a platform that the rest of the African countries can come with alternative solutions to the battle against poverty meanwhile promote their autonomy. Family business may help to overcome poverty in a way that lives the room for poor people to make their choices and meet their needs without become dependent to donor countries.

Keywords—Family business, Poverty Reduction, Tanzania

Family business is the oldest and most common model of economic organization. The vast majority of businesses throughout the world—from corner shops to multinational publicly listed organizations with hundreds of thousands of employees can be considered family businesses. Family business are the firms (organizations) that are either owned by a family, managed by a family, monitored by a family, or shows a combination of two or all three aspects (Memili, 2015). They are considered to be of a great importance as their role in employment, income generation and wealth accumulation cannot be underestimated, and they are businesses that dominate the majority of world economies (Osunde, 2017). Family business is also enterprises that are overspread all-over the world in both developed and developing countries (Emerole, 2015). Based on research of the Forbes 400 richest Americans, 44% of the Forbes 400 member fortunes were derived by being a member of or in association with a family business. Some of the world's largest family-run businesses are Walmart (United States), Samsung Group (Korea) and Tata Group (India).

Family businesses possess a unique bundle of resources

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created by the interaction of the family and the business (Habbershon and Williams, 1999; Sirmon and Hitt, 2003). The interaction between the family and the business may affect how resources are managed and deployed in family firms (Sirmon & Hitt, 2003). Chua et al. (1999) state that the uniqueness of a family business is caused by their pattern of ownership, governance, management, and succession materially that influences the firm's goals, strategies, structure, and the manner in which each is formulated, designed, and implemented. Osunde (2017) conducted a study on family businesses and its impact on the economy. It was found by the study that family businesses are recognized as one of the engines of the post-industrial growth processes as they are given credit for developing across the generations' entrepreneurial talent, a sense of loyalty to business success, long – term strategic commitment, and corporate independence. The key results of this study show that family businesses are an integral part of the national economy and have been contributing to GDP of the country which sustains economy growth.

The study revealed that 51.5% of all listed 200 largest companies in Nigeria are family controlled businesses (Emerole, 2015). In most countries of Africa family businesses are recognized as an integral component of economic development and a crucial element integrated in the efforts to reduce poverty in the region (Aderonke, 2014)^[1]. This is to say that family businesses are the driving force for economic growth, job creation and poverty reduction in Africa and other developing countries (Adebayo et al., 2016).

I. INTRODUCTION OF TANZANIA

Tanzania is one of the African countries, located in eastern Africa bordering the Indian Ocean, between Kenya and Mozambique with geographical coordinates of 6 00 S, 35 00 E. The country encloses an area of 947,300 square kilometers with a coastline of 1424 kilometers and is a home of some of the world's greatest landmarks. Population of Tanzania is home to 41,048,532 (estimates taking into account excess mortality due to HIV/AIDS) people among which 21.23

million (2009 est.) are considered to be labor force^[2]. All this makes Tanzania one of the world's wealthiest nations from a biological point of view.

However, the country has been facing economic poverty over the past twenty years. The economic hardship has been attributed to a lot of factors among them being the underdeveloped private sector which accounts for over 80% of employment (IFC 2006). Unemployment has been a chronic problem in the country. Tanzania has constantly been embarking on a long process of political, economic and social reforms to improve the business environment, promote economic growth and reduce poverty in the country^[3]. In the face of widespread poverty in Africa and particularly in Tanzania, Osunde (2017) argues that the best response is to encourage family businesses because of the role they play in national economy.

II. FAMILY BUSINESSES IN TANZANIA

Of 50 industrial companies in Tanzania analyzed by a London School of Economics (LSE) 2013 study, 29 originated in the domestic private sector – with family businesses playing a substantial role.

Historically, the phenomenon of long-standing family businesses gaining substantial holds on the Tanzanian economy can be traced to 1970s-1980's economic reforms, which saw a loosening of the centralized state-run economy. These reforms were intended to encourage private business activity. As a result, several family-run businesses, which had previously managed to establish solid, if unspectacular, places in the limited private sector, were able to seize control of market voids left by previously state-run entities. These family businesses then went on in many cases to develop into multimillion dollar conglomerates, which today dominate the consumer goods industry.

A notable example is the Bakhresa Group – which is similar to many of Tanzania's leading conglomerates: run by close knit family members, having started out very small. In the case of the Bakhresa Group, its founder, Said Salim Bakhresa started his first small businesses, including shoe repair stores, a bakery, and an ice-cream parlour some 50 years ago. He now presides over a conglomerate that has recently reached an US\$600 million-plus annual turnover. Aside from consumer goods, Bakhresa Group has interests in agricultural commodities, ferrying passengers, and fuel distribution.

III. THE ROLE OF FAMILY BUSINESS IN POVERTY REDUCTION

The economic prevalence and importance of this kind of business are often underestimated. Throughout most of the 20th century, academics and economists were intrigued by a newer, "improved" model: large publicly traded companies run in an apparently rational, bureaucratic manner by well trained "organization men." Entrepreneurial and family firms, with their specific management models and complicated psychological processes, often fell short by comparison^[4]. Privately owned or family controlled enterprises are not always easy to study. In many cases, they are not subject to

financial reporting requirements, and little information is made public about financial performance. Ownership may be distributed through trusts or holding companies, and family members themselves may not be fully informed about the ownership structure of their enterprise. However, as the 21st-century global economic model replaces the old industrial model, government policy makers, economists, and academics turn to entrepreneurial and family business as a prime source of wealth creation and employment.

Nowadays, business enterprises are assuming a more active role in poverty reduction programmes and projects that aim to improve the well-being of low-income groups and the socially excluded. This has occurred in a context where poverty reduction has moved up the ladder of international development priorities, state capacity and responsibility for social protection in developing countries has been constrained, and the principle of co-responsibility for social development is being promoted as a core aspect of 'good governance'. Many large corporations and business organizations have responded through pro-poor philanthropy, "anti-sweatshop" initiatives, corporate social welfare, corporate social investment in local community development, and participation in global, national and local public-private partnerships associated with poverty reduction^[5].

Parallel to these developments, there has been an expansion of so-called social or solidarity economy involving small producers and enterprises engaged in forms of production and trade that potentially combine mainstream economic objectives with social protection, redistribution and empowerment. This expansion is particularly evident in relation to fair trade schemes that pay small agricultural producers above-market prices for raw materials^[6]. Some countries have also witnessed a revival of cooperatives. More recently, the attention of scholars and donor agencies has focused on ways in which companies can contribute to poverty alleviation by stimulating entrepreneurship, consumer markets and supply chain networks at the so-called 'bottom of the pyramid', that is, amongst low income groups and poor communities that account for the majority of the world's population (Prahalad 2005).

In recent years Tanzania has been experiencing a high level of national economic growth, and a range of markets ripe for exploration and exploitation by entrepreneurs. The Tanzanian government has been attracted by the family businesses (SMEs) with their role to the country economy and their significance in tackling the problem of unemployment facing a big number of youth^[7]. Following the importance of the family businesses to the country's economy, the government and other stakeholders have established the favorable environment for their operation. This is due to the fact that family businesses in form of SMEs in Tanzania are easily established for their requirements in terms of capital, technology, management and even utilities are not as demanding as it is for the case of large enterprises (URT, 2003). The operation of the SMEs in both urban and rural settings is considered to have added value to the agro products and the same time facilitated the dispersal of enterprises (Kessy and Temu, 2009). However, the difficult economy in Tanzania is forcing the firms to manage for having enough

cash. It is time to take the time to look at the how alert and prudent working capital management is for the relevance and performance of these family businesses.

IV. CONCLUSION

The family business approach to poverty reduction is a worthwhile avenue through which monetary donations to Tanzania can be channeled to support it and make a lasting difference in the lives of poor, and it can also work in concert with structural-bases global approaches. Such an approach works in a way that promotes the autonomy of the poor and empowers them. Instead of being always passive recipients of the donations from well developed countries, Tanzanians should foresee to invest on family business for it often creates a sense of belonging and if well supervised it can sustain from generation to generation.

For the countries that suffering from poverty-related causes today, it is unjust to ask them to wait for the solution usually provided by global approach focused on systematic issues, instead encouraging them to invest on family business. Family business can provide individual poor family members with the capital necessary to feel empowered to make a positive change for themselves. The misery of the lives of the poor Tanzanians as well as the rest of Africans can be mitigated, if not overcome, if we invest and encourage family business.

Therefore, in this paper We argue that family business if given attention and constantly promoted may overcome poverty for people may be able to make their choices and meet

their needs and do not become dependent upon donations. While family businesses in Tanzania may not constitute the solution to the problem of global poverty, they do provide an avenue by which family businesses effort can make a difference in the battle against poverty, in ways that best respect and promote the autonomy of the poor.

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