Volume 7 Issue Number 1 DECEMBER 2018

JOURNAL OF POLICY AND LEADERSHIP

ISSN 1821 – 8318 Centre for Policy and Leadership,
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Foreword

The Journal of Policy and Leadership is published bi-annually (January and June) to advance the study and practice of leadership, policy and public management through publication of articles written by researchers and academicians well informed on the respected fields.

The main purpose of the journal is to bring together a compendium of papers that draw on the Tanzanian and larger African context to advance the science of leadership, policy and public management. By focusing on theory-guided research, we hope to not only stimulate a great integration of leadership, policy and public management but also to propose constructive alternatives and/or future research agendas to guide works in leadership and policy management in Tanzania and Africa.

CONTENTS

Interrogating the Use of Strategic Management for improving the Growth of Tanzania's Cooperatives

J.S Kikula[1]

Abstract

The use of strategic management for business enterprises operating in a competitive business environment is not a choice but is a necessity for competitive repositioning of cooperative unions in Tanzania. Strategic management helps in identifying the nature of opportunities and challenges surrounding the business environment around which the enterprise operates. The methodology was such a sample of 793 respondents was selected from the population of 2375 farmer members. Both primary and secondary data were used, the former used questionnaire, interview, focus group discussion as well as the observations, while the latter applied documentary review. The results were such that cooperative unions were yet to make use of strategic management so that they compete more effectively and efficiently than the competitors, they were used to business as usual and therefore it is from that basis that the cooperative unions find themselves ailing in terms of the performance.

Keywords: Strategic Management, Cooperative, Cooperative Development

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Introduction

The Use of strategic management are several, according to Wright *et; al*(1998) strategic management take into account on both the external and internal forces from the business environment on the basis of which the opportunities were identified and exploited by the enterprise's internal strengths. Another major ingredient to strategic management has been to assist the organization to formulate better strategies. According to Keller *et al*; (2008); Norburn (2006); Van Weghberg and Va Witteloostuijn (2001); Kim and Lim (2000); Peele (2005); and Wright *et al. (*1998), the process rather than the document remains to be the most effective ingredient of strategic management. Strategic management embodies such major inputs as strategic plan to ensure competitiveness of the business enterprises. A strategic plan encompasses core activities of the business enterprise, such core activities can be accomplished in a minimum of 3 to 5 years (Kikula, 2012; Ndunguru, 1999). For this to take place, participatory approach is vital in ensuring that all primary stakeholders were involved in the formulation of strategic management and that ownership of the process is guaranteed. According to Keller *et;al*(2008) ; Kim (2000); Van Wghberg *et;al* (2001) the process of ownership is important because these primary stakeholders would be involved in the implementation so as to achieve the vision, mission and objectives of the business enterprise.

When primary stakeholders were aware as to what the enterprise is doing and why they often feel that they are a part of the enterprise and therefore they become committed in supporting the enterprise. For this process to be effective, employees should also be aware of the linkages between their own compensation and organizational performance. In this way, the primary stakeholders become exceptionally creative and innovative toward supporting the enterprise's vision, mission, and objective. According to; Gooty *et al.,* (2009); Mayer (2006); Thomson and Stricktland (2007), the opportunity of the process to empower stakeholders reflects one of the benefits of strategic management. Empowering is the process of enhancing the sense of responsibility by encouraging the employee to participate in decision making and to take initiatives and become imaginative (Wright *et;al* 1998).

Strategic management has a remarkable contribution in managing enterprises in a competitive business environment. Strategic management starts with the analysis of business environment in terms of external and internal analysis. According to Wright *et al.,* (1998), strategic management refers to a set of decisions and actions used to formulate and implement strategies that will provide a competitively superior fit between an organization and its environment so as to achieve organizational mission and goals. The purpose of strategic management is to maintain a favourable balance between the organization and its environment over a long period.

The operational definition of strategic management is that, it consists of quality managerial decisions and actions, as there is no decision without a price tag, therefore strategic management help to ensure that the enterprise formulates and maintains a beneficial fit with the business environment (Kikula, 2012).Linking the employees reward system and organizational performance in terms of monetary and non monetary incentives is critical. Involvement of all stakeholders in the operations of the company, is important in the process of strategic management so that ownership is enhanced. When the primary stakeholders are aware as to what the enterprise is doing they feel part of the enterprise and they become committed in supporting the enterprise efforts (Meryer, 2006).Most organizations have shifted from centralizing to decentralizing due to the fact that such allows involvement of lower level managers and employees (Lim, 2000;and Peele, 2005).In the case of Governments eg Tanzania, is practically operating such a policy so as to shift resources from Central Government to Local Government Authorities (LGA).For example the resources include financial resources in that such should trickle down to the people to solve their tailor made challenges in terms of water, hospitals, bridges, schools and the like.According to Kelly et;a (2008) enterprises applying Strategic Management concepts get more sales, become more profitable and productive compared to other enterprises which are not applying strategic management. It therefore help firms avoid financial demise (Thomson and Strickland 2007).

Additionally Strategic management according to (Norbin 2006) also plays both a role in problem – prevention as well as curative as it encourages interaction among managers at all levels. Motivated managers and employees share organizational objectives amongst them and team up in improving products and services. Such an interaction brings order and discipline particularly to an ailing enterprise.

Methodology

The study was carried out at Mbozi, Songea- Namtumbo and Morogoro cooperative unions in Tanzania. The study adopted a cross sectional design because it allows the collection of data at a single point in time from a selected sample respondents The Sample size was such that Bartlett *et al.* (2001) argue that inappropriate, inadequate or excessive sample sizes continue to influence the quality and accuracy of the research. Sample size can influence the detection of significance difference, relationships or interaction (Peer, 1996). According to Bartlett *et al.* (2001), before proceeding with sample size calculations, the reseacher has to determine whether continuous or categorical variable will play a significant role in data analysis. For both continuous and categorical or combination of the two variables sample size can be obtained using the formula:

$n = [n_o / (1+ n_o / N)]$ -- (1)

Where: n is the required (adjusted) sample size, N is the population size, n_o is the sample size of infinite population calculated as:

$n_o = (t^2 \text{ x } pq / d^2)$--- (2)

Where: P is the proportion of the respondents that will give you information of interest (the proportion confirming), q viz (1- p) is the proportion not giving you information of interest (proportion defective), p* q is the estimate of variance (which is maximum when p = 0.50 and q = 0.50). The maximum population variance of 0.25 will give the maximum sample size**.** Kreicie and Morgan (1970) suggested the following values for survey studies: the appropriate margin of error is 0.05 (i.e 5 percent), and alpha is 0.05 (i.e 95%, confidence level); and p and q should be 0.5 and 0.5 respectively. In the present study however, the error margin adopted was 2.83% with the aim of collecting larger sample. Lusambo (2009) argued that the margin of error is dependent on the researcher's decision, but usually lies between 1% and 10%. Consequently, using equation 2, the adopted margin of error (2.83%) produced the value of $n_o = 1199$.

Sample size determination was thus effected using the formula:

n = 1199 / (1 + 1199/ N) Where N = Target population in the study (i.e. 2375).

Therefore the required sample size (n) = 796. During the questionnaire administration one respondent went missing and was ignored, resulting to the effective sample size of 795. According to Austin (1983) the question of sample size how much is enough has no simple answer magical numbers do not exist. The sample size necessary to produce a good estimate is a matter of judgement. Larger sample will of course bring greater precision and certainty than a smaller sample.

Sampling procedure was such that there were three study sites namely; Morogoro, Mbozi and Songea-Namtumbo; and the sampling units were coffee growers under, MOFACU cotton growers under MBOCU and tobacco growers under SONAMCU. A simple random sampling (using a random number table) was employed to draw sampling units from the three study sites.

The sample size was allocated proportionally to each study site using the formula: $n_i = (N_i/N) \times n$

Where: n_i = sample size in study site i

N_i = Total target population in study site i

N = Total target population in all study sites

n = Cumulative sample size (i.e sample size with respect to total target population).

Consequently, the computations were done as follows:

n_{Mbozi} = (808/ 2375) x 795 = 270 farmer members (coffee growers)

$n_{Morogoro}$ = **(** 692/2375) x 795 = 232 farmer members (cotton growers), and

$n_{Songea\text{-}Namtumbo}$ = (875/2375) x 795= 293farmer members (tobacco growers).

According to Lusambo (2009) factors affecting sample size include, but not limited to the following:

i. *Margin of error* (e): how much error can be tolerated by the researcher, the smaller the error margin the bigger the sample size.

ii. *Confidence level* with which the researcher wants to report the findings. Usually the most common confidence levels are 90%, 95% or 99%. The higher the confidence level, the more the sample size.

iii. *Variation among the target population*: the higher the variation, the larger the sample size and vice versa.

iv. *Population size*: the higher the population size, the more the sample size required.

Results and Discussion

The theory of strategic management was applied to develop objectives of the study which later were analysed to get results. The results were such that cooperative unions failed to use strategic management. the studied cases through the support of cooperative managers. In order to meet this objective questionnaires were administered to farmer members, interviews were contacted to directors, top managers and focused group discussions were organized to AMCOS and FGs.

Managing business in a competitive environment

It is widely acknowledged that managing business operations in a competitive business environment without the use of strategic management is risky this is mainly because of the competitiveness of business environment (Hurbert *et a l.,* 2005*;* Wright *et al.,* 1998). In order to help farmer members to manage their operations in such a competitive business environment the author attempted to establish the parameters considered useful on the use of strategic management which included; the availability of corporate plan, a sense of ownership, involvement in the formulation and implementation of corporate plan, access to financial resources to capital, affordability of the prices of agricultural inputs and controls, monitoring and evaluation.

Table 11:Use of Strategic management of the studied cases

Parameters	MBOCU				MOFACU				SONAMCU			
	YES		NO		YES		NO		YES		NO	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Availability of corporate plan	3	1.2	267	99	2	0.9	230	99.1	3	1	290	99
Sense of ownership	4	1.5	266	98.5	3	1.3	229	98.7	2	0.7	291	99.3
Involvement in formulation of corporate Plan	5	2	265	98	-		232	100	3	1	290	99
Implementation	8	3	262	97	21	9	211	91	2	0.7	291	99.3
Financial resources	3	1.2	267	99	2	0.9	230	99.1	54	18	239	82
Agriculture input price			270	100			232	100	54	18	239	82
Monitoring and evaluation			270	100			232	100	3	1	290	99

The results in Table: 1 shows that there was hardly any strategic management in place. For a number of years cooperative unions operated under the umbrella of monopolistic situation. For all these years, they could not realise that there was a foreseen competition in doing business and for which they were supposed to get prepared. The shift of business environment from monopolistic business environment to a competitive business environment was almost a surprise to them and they were caught unaware. However, for competitive viability, cooperative unions must be reorganized so that they are able to compete and therefore improve their operations through capacity building on strategic management among others. One indication of lack of strategic management according to the results is non existence of corporate plan in these cooperative unions.

When the results for these parameters as shown in Table 1 (i.e. availability of corporate plan, sense of ownership, formulation and implementation of corporate plan, affordability of inputs prices, availability of capital, and availability of controls, monitoring and evaluation systems) were compared across the three cases, the following picture was depicted: on the availability of corporate plan; MOFACU scored 99.1, SONAMCU scored 99, and MBOCU scored 98.8 percent. The figures indicate that all the three cases across had no corporate plans. As it can be seen, the difference between the availability of corporate plan across the three cases is far from optimal. The results contradicts with the study by Ndunguru, (1999) who found that for competitive re positioning corporate plan is fundamental. Corporate plan reflects the core activities of firms, such that these core activities were critical as they have to be accomplished in a minimum of 3 to 5 years. So the same sets a long term direction for a business enterprise. For it to be effective the plan requires effective coordination of all primary stakeholders.

On the sense of ownership, this has to do with participatory approach whereby all stakeholders are involved in various processes in the firm, in this way ownership is guaranteed and commitment is enhanced (Kazmi, 2008 and Kaplan, 2001). In the case of MBOCU the study shows that about 98.5 percent of the respondents reported to lack the sense of ownership. In the case of MOFACU, the study results also indicate that about 98.7 percent of the respondents show having no sense of ownership. In the case of SONAMCU, the study results show that about 99.3 percent of the respondents revealed of their lack of sense of ownership. Sense of ownership enhances dedication, unfortunately the studied cases lacked ownership as such agricultural performance was affected. These results were in contradiction with the study by Ndunguru, (1999) who found that sense of ownership was a cornerstone to effective achievement of objectives, mission and vision.

Involvement in formulation and implementation of corporate plan

With regard to involvement in the formulation and implementation of corporate plan, both managers and employees together with the Chief Executive Officer (CEO) have to be involved in this exercise, short of this the corporate may become dysfunctional. In this respect, the study results indicated that about 98 and 97 percent of the respondents at MBOCU revealed that there was no involvement in the formulation and implementation of corporate plan respectively. This logically confirms the earlier mentioned argument of non availability of corporate plans.

With regard to the involvement in the formulation and implementation of corporate plan, the study results indicated that 91 and 99.1 percent of the respondents at MOFACU reported of there being no involvement in the formulation and implementation respectively of corporate plan. Similar results were reported by 99 and 99.3 percent for the two phenomena at SONAMCU. The results were in contradiction with the study by Ndunguru (1999) who found that for the corporate plan to be meaningful it has to involve stakeholders in its formulation and implementation of the same. When members are involved in formulation and implementation in various processes in the enterprise they feel part of it as such it has influence in performance of the enterprise, but this was a reverse in the studied cases as such it affected negatively the performance of agricultural performance.

With respect to access to financial resources, it can be said that though capital is a major input in facilitating the implementation of corporate plan, the same remained a major challenge to cooperative unions. In this respect, the study results indicate that about 98.8 percent of the respondents at MBOCU revealed that financial resources were inadequate. Similar results were reported by 99.1 and 82 percent of the respondents at MOFACU and SONAMCU respectively. When asked about capital the response from MBOCU top management was that the union in question had a weak capital base in the sense that it was unable even to pay salaries, leave alone executing its core functions in relation to collecting and handling agricultural produce. In this respect the total production of coffee in Mbozi district for the year 2007/08 was 11500 tons, but MBOCU managed to collect only 64, 874 kgs or 6.4 tons.

On the agricultural input prices the results of both the three cases of the respondents revealed that 100 per cent of the agricultural inputs were highly priced. The results are in line to the findings of Banturaki (2000) who found that cooperative had such a poor and weak capital base that they failed to carry out their operations effectively and efficiently.

The union survived through revenue realized outside its core functions. In addition, the revenue collected was based on the levy from coffee collected through primary societies. The union had a coffee realization account through which funds were deposited after the collection has been effected. For example, in 2007 the union received only Tshs 70 per kg x 15 000 or Tshs 1 050 000. Other sources of revenue included rental of its warehouses to coffee dealers.

The MBOCU warehouses were dilapidated that private dealers used to store their agricultural produce. The MBOCU general manager reported that the government debt relief in the case of MBOCU had no significant impact as only Tshs 10 million was given to the union out of which Tshs 8 million was paid to Mbozi District Council, and Tshs 2 million was paid to the Cooperative Audit and Supervision Cooperation (COASCO) out of the total debt of Tshs 313 466 698.

Affordability of agricultural inputs

In this respect, the study results indicate that 100 percent of the respondents at MBOCU reported that agricultural inputs were not affordable. Similar results were reported by 100 percent and 82 percent of the respondents at MOFACU and SONAMCU respectively. The results were in contradiction by Hurbert and Fitzroy, (2005) who found that when there is financial demise, businesses using strategic management show improvement in sales, profitability, productivity and helps firms avoid financial demise compared to firms without systematic planning activities. Agricultural inputs are a major factor which enhances productivity, but exorbitant prices of such inputs is a constraint to the majority of farmer members who cannot afford the same (Banturaki, 2000).

Similarly, one of the respondents from the Mbozi Institute of Coffee Research remarked, *suppliers were an evil to MBOCU performance*. The reason behind this remark was that since the introduction of trade liberalization, the role of distribution function of agricultural inputs shifted from MBOCU to private traders. The interest of private traders was to maximize profit through increased prices of agricultural inputs and through decreased producer prices. The private dealers sold agricultural inputs at very high prices that farmers could not afford and at times such inputs were of poor quality, and this, in turn, discouraged farmer members. Although coffee production trend was slightly on upward trend but the same could have been improved more had it been the agricultural inputs prices were better.

With respect to affordability of inputs, this was reported as being one of the major problems. This is because the majority of farmers in the studied cases were unable to purchase agricultural inputs due to prices that have always been exorbitant. Thus, majority of farmer members were so discouraged that they chose to carry out agricultural activities without applying such inputs something which has affected production.

Board members of the cooperative unions for MOFACU and SONAMCU reported to have been surviving through renting offices and warehouses. A similar trend has also been .reported by MBOCU. The revenues collected from these rentals were used to meet the costs of office overhead. Fig. 1 portrays the categories and prices of agricultural inputs from 2002/03 to 2007/08.

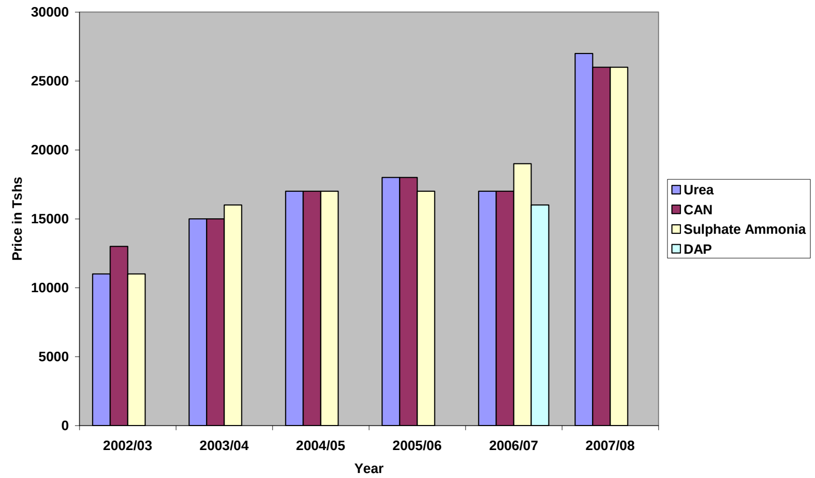

Figure1: Categories and trend of prices of agricultural inputs for the period 2002/03 up to 2007/ 08.

Figure 1 presents findings of the study with regards to the prices of agricultural inputs have been increasing as time passed by to the extent that farmer members were unable to afford to acquire such inputs; such a situation discouraged them from applying the inputs, and this in turn, affected agricultural production. Fig. 2 indicates the manner in which average input prices have affected average production reflected in tons. According to the Fig. 3, while the average input prices kept on increasing every year, the average production in tons kept on declining, indicating a negative correlation between the two variables (i.e. average input prices and average production). This relationship is illustrated in Fig. 2

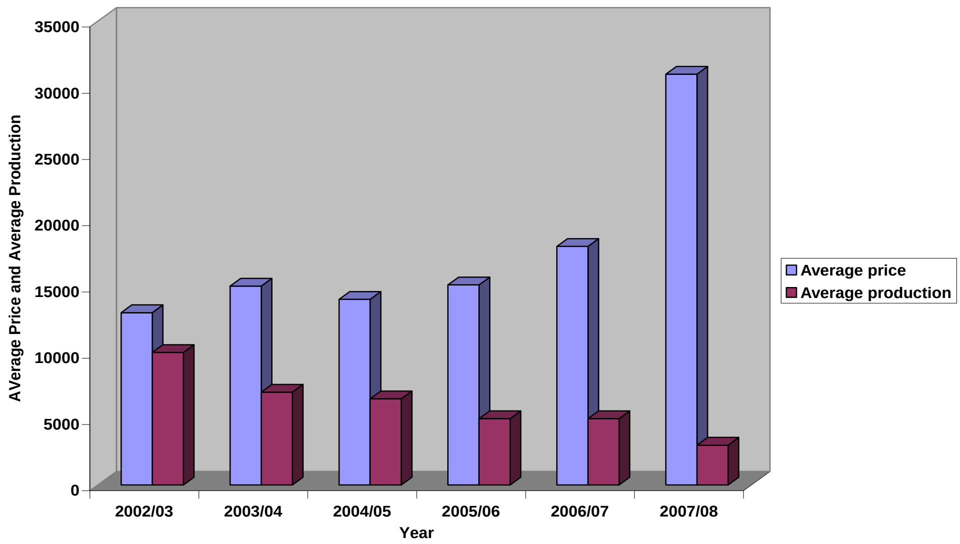

Figure 2: Relationship between average agricultural input prices in Tshs and the average production in Tons for the period 2002/3 up 2007/08

Fig. 2 shows that, the average agricultural inputs having a impact on the average production to the extent that as the average prices increased the average production decreased. A significant increase in prices for agricultural inputs was triggered by two main reasons; first the increased trend of inflation rate, which weakened the purchasing power of not only the farmer members, but also that of cooperative unions. And secondly, the world financial crisis, which also affected the economy in the sense that exports function, was affected particularly in cash crops like coffee and cotton. For example, in January 22, 2009 about 138 011 bales of cotton were piled up in ginneries due to lack of purchasing orders.

The demand for Tanzania cotton declined in the world market; this led to a crisis in the domestic market as the international prices fell by 40 percent. Also, the crisis led to the pulling out of investors from Tanzania thus leading to an increase rate of unemployment and government tax denial thus affecting the economy (URT, 2005).

In the case of MOFACU, although the union was unable completely to collect and handle a single ton of agricultural produce, the researcher had to survey the prices of agricultural inputs in relation to production. Figure 3 shows the trend of agricultural input price over years. As it has been the case with suppliers in the aforementioned cases, the pattern was also the same with respect to the prices of agricultural inputs.

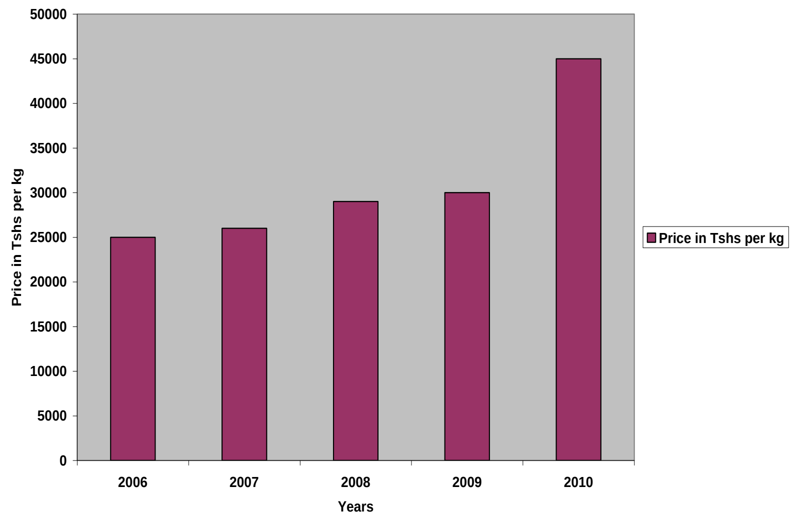

Figure **3**:Agricultural input price for cotton for the period 2006 to 2010

Fig. 3 shows the trend of agricultural input price for cotton since 2006 through 2010. The same pattern featured in the prices of seed cotton, which indicated a fluctuating upward trend, the prices of agricultural inputs also affected production. Figure 4 shows cotton seed prices over years.

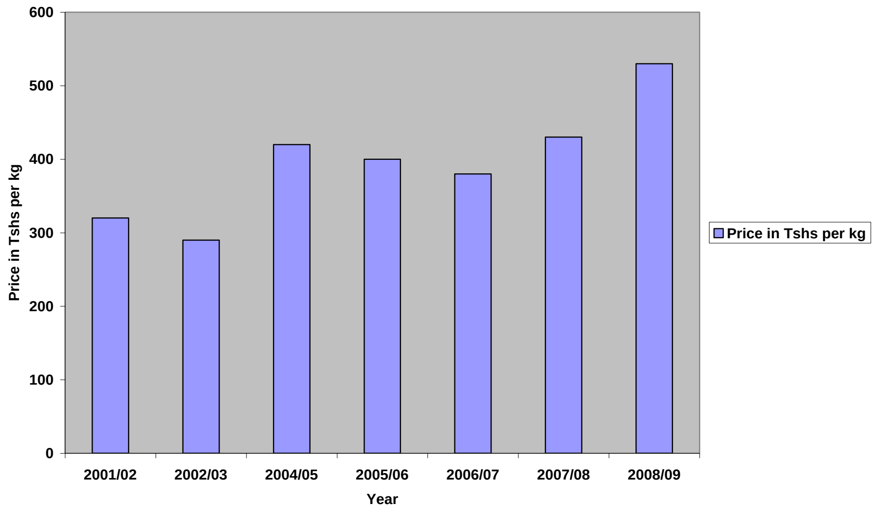

Figure **4**: Seed cotton price trend for the period 2001/02 – 2008/09

Figure. 4 shows the prices of agricultural inputs in terms of seed cotton. Generally, the prices have been increasing as time passed by. In all the situations, farmer members have been overburdened, in a sense that the producer prices have been declining while the export prices have been indicating an upward trend. Fig. 5 shows the relationship between the producer prices and export prices. Producer prices have been low throughout as compared with export prices which were high throughout. The same pattern was displayed at SONAMCU, the prices of agricultural inputs increased to unmanageable proportions as time went by.

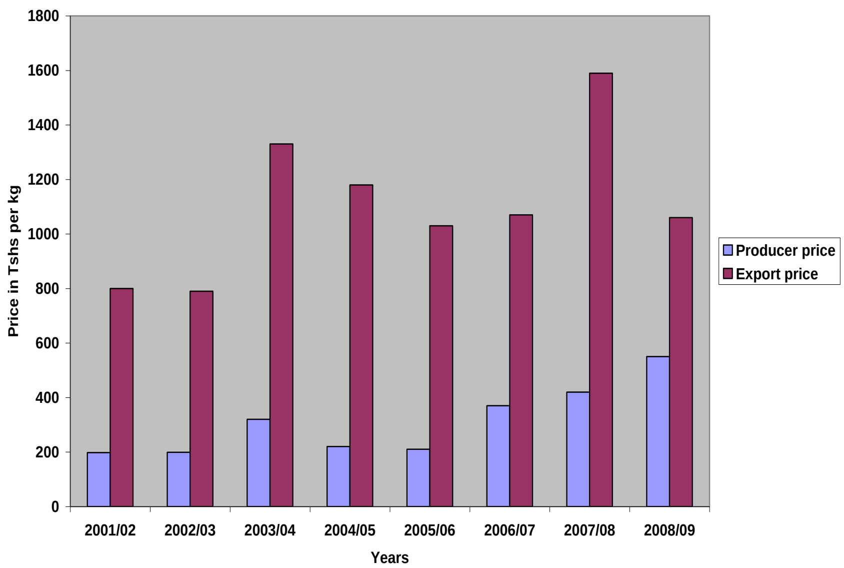

Figure**5**: Producer price as related to export price for the period 2001/02 up to 2009/10

Figure. 5 shows that the producer prices is lower than export prices the reason is that farmer members do not have strong representation when it comes to price negotiations as opposed to export prices which have strong representation when it comes to price negotiations. Table 5 shows tobacco average producer price.

The pattern of average tobacco producer prices which have been displaying an upward trend. This is because the demand of tobacco has always been exceeding that of the supply; this is unlike the case for coffee and cotton whose producer prices have been displaying a downward trend throughout. Similar studies (e.g. Banturaki, 2000; Mhando 2005) found that the agricultural inputs were sold at such exorbitant prices that majority of farmer members could no longer afford the inputs as such agricultural production was affecting.

On the existence of monitoring and control systems, monitoring was based on tracking of performance as the end results of an activity, while control was about ensuring that things were carried out smoothly and remedies are made in cases where things go astray (Green and Madlin, 2003). In the case of MBOCU, the study results indicate that 100 percent of the respondents revealed that controls, monitoring and evaluation systems were not existent.

A similar pattern was observed in MOFACU, whereby the results indicate that 100 percent of the respondents reported of lacking the monitoring systems while the results in SONAMCU indicate that 99 percent of the respondents reported of not having the system in place. A similar study by Banturaki (2000) found that there is pervasive dishonesty, corruption, greed, abuse of committee powers, irresponsibility and non-accountability within then ranks of cooperative leadership indicating that the system of monitoring, evaluation and controls were not in existence.

When the results for these parameters (i.e. availability of corporate plan, sense of ownership, formulation and implementation of corporate plan, affordability of inputs prices, availability of capital, and availability of controls, monitoring and evaluation systems) are compared across the three cases, the following picture is depicted: on the availability of corporate plan; MOFACU scored 99.1, SONAMCU scored 99, and MBOCU scored 98.8 percent. The figures indicate that all the three cases across had no corporate plans. As it can be seen, the difference between the availability of corporate plan across the three cases is far from optimal.

On the sense of ownership, MBOCU scored 98.4 percent, MOFACU scored 99.5, and SONAMCU scored 99.3. On this aspect there was no significant difference across the three cases. On the formulation and implementation of corporate plan, MBOCU scored 98.8 percent and 96.8 percent respectively, while MOFACU scored 100 percent and 91 respectively, and SONAMCU scored 99.3 and 99.1 respectively. The results here show that on the formulation of corporate plan MBOCU ranked first by scoring 98.8 and MOFACU comes last by scoring 100 percent. On the implementation of corporate plan on this aspect however MBOCU ranked first by scoring 96.8 and SONAMCU ranked last by scoring 99.1. On the whole, the difference is insignificant. In all three cases, the involvement in the formulation and implementation stages has always been problematic. It therefore indicates that strategic management is not a common practice in cooperative unions.

On the availability of capital MBOCU ranked first with a score of 97.1 percent, the two other cooperative unions had a tie score of 99.1 percent each. The difference across the cases is therefore insignificant. This is because the issue of capital is a headache of every stakeholder in the studied cases. On whether input prices were affordable, SONAMCU ranked first as it scored 82 percent while the other two unions ranked second as each one of them scored 100 percent. Since the introduction of trade liberalization, there has never been any government subsidy which cooperatives would use to support farmer members. On the availability of controls, monitoring, evaluation and evaluation systems SONAMCU ranked first, with a score of 99 percent while the two ranked second with a score of 100 percent each.

When the overall results were measured using defined parameters, the use of strategic management by the farmer member through the support of cooperative managers was far from optimal, implying that this variable was almost non-existent On the whole, the majority of the respondents indicated that strategic management was not a common practice for all the parameters, a situation which led to unsatisfactorily performance.

Conclusion and recommendations

Drawing from the summary of major findings the study cases have failed to use strategic management. The results from the use of strategic management point to a conlision that the studied cases did not make use of strategic management through the corporate plans, sense of ownership, involvement in the formulation and implementation of corporate plans, access to capital, affordability of agricultural inputs prices as well as controls, monitoring and evaluation.

Strategic management has an important role to play in improving the performance of cooperative unions. In this case support from policy makers is needed to promote strategic management process in their policy frame wok so that it can contribute to the development of cooperative unions in Tanzania. For sustainable strategic management it is proposed that the government should also support the “implementation policy” in terms of resources so that vision, mission and objectives of cooperative unions are achieved.

For competitive viability cooperative unions in Tanzania have to apply strategic management. However, strategic management as a process will take time to feature in cooperative unions systems, to begin with it is recommended that cooperative unions start with ensuring that they have strategic / corporate plans.

Corporate / strategic plans as a major input to strategic management, cooperative managers should look at the possibility of having corporate plans so as to guide the implementation of various developmental issue. The government have to make it mandatory so that every cooperative union possess corporate/strategic plans which is critical for competitive viability.

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