

Leadership and Managerial Mismatch as a Contributing Factor in the Failure of Public Industrial Projects in Tanzania

*Chediell Nyirenda**

Abstract

By the early 1980s—a period termed as the period of de-industrialization in Tanzania, or the ‘lost decade’—the people of Ugweno in Mwanga district in Kilimanjaro region, Tanzania, tried to industrialize particularly in ceramics. Three villages: Raa, Rangaa and Kisanjuni had two fully equipped industrial sites to produce clay vessels and bricks. An attempt to explain the reasons for the failure of such well-conceived and costly projects is the gist of this article. Using a case study approach, the article attempts to explain the performance of the said industry based on the principal-agent model. Findings suggests that moral hazard, rather than adverse selection, explains the dismal results in the performance of the said public investments. One salient observation is that in a public-owned project, the roles of politicians (as principals) need to be reasonably balanced with the roles of the managers of the public concerns (the agents) for the success of projects. The major finding is that the failure of the two projects was due to too much political control. Thus, there is a need to redefine the roles and relations between leadership and management to ensure the success of any industrialization strategy.

Key words: *industry, leadership, management, Tanzania*

Introduction

The importance of re-industrialization as Tanzania is geared towards industrial economy cannot be over-emphasized. In the wake of industrialization, two very important but not mutually exclusive agents are central. These are managers and leaders of the said industries. While managers seek to order, control, and attain rapid solutions to a myriad of industrial problems, the leaders, on the hand, approach any industrial quagmire with tolerance. The leaders keep answers in suspense and prevent premature closures on important issues (Abraham, 1977). Although managers need some level of leadership skills for their work, their key tasks differ from those of leaders—particularly political leaders. Going by the proposition of the agent model principal, managers as agents of political leadership need a certain optimum level of autonomy to effectively execute their duties. For control purposes, political leaders, who are taken to represent citizens (the owners of the public projects), will have to have their eyes constantly on the work of managers, but definitely not on their hands! African countries need, on one hand, to establish a self-funding, self-management, and self-regulating tradition in public enterprise undertakings, and on the other, ensure that the various enterprises meet some minimum standards, such as efficiency,

*PhD student, Political Science, University of Dar es Salaam

political accountability, and service to the public. It is understood that political leaders will ensure control in the working of project managers, but excessive control is more detrimental than supportive to the good performance of a project. These two need a balance (Espiner, 2007; Asay, 2008). This article attempts to show the need for leaders and managers to balance their roles, and at the same time highlights other contextual factors that would lead to effective industrialization in Tanzania.

Tanzania's Industrialization Experience

The efforts to industrialize in Tanzania started immediately after her independence in 1961. Several policies, strategies and development plans were put in place in a bid to spur industrialization, but the effect was minimal. Some economists and development experts have suggested that one of the best approaches would have been to carefully utilize technological transfer to attain industrialization (Skarstein & Wangwe, 1986; Chungu et al., 2001). This was not done, and the nature of the general economic policy in Tanzania after the Arusha Declaration in 1967 leaned towards more state control of the means of production—including manufacturing—and advocacy for the use local resources in industrial production. All these increased controls and the economic crisis that continued into the 1980s created a negative environment for the survival and competitiveness of local industries (Wangwe, 1983).

The nature of the industrial base inherited by Tanzania during her independence in 1961 reflected the British colonial legacy: foreign-owned, labour-intensive, and mainly producing primary commodities (Skarstein & Wangwe, 1986). At that time there were only 220 manufacturing firms employing some 200,000 individuals, and contributing 4% of the GDP (ibid.). During the early period of industrial reforms in Tanzania, priority in resource allocation was shifted from creating new capacity in the public sector towards rehabilitating public industrial enterprises. However, the implementation of rehabilitation programs in the context of economic reforms did not contribute to raising the level of technological capabilities (Wangwe, 1993). Thus, with the introduction of SAPs in the early 1980s, the country entered into the so-called period of 'de-industrialization' (Wangwe, 1995).

Tanzania Vision 2025 is a major policy document that guides the efforts towards industrialization and development in general. It envisions an economy driven by industrialization that is linked to agriculture and mining, among other things. Central in Vision 2025 is the leading role that should be played by the industrial sector in the transformation of the economy to a middle-income one. For this move to become a practical reality there are lots of considerations to be made. One inevitable step is to learn from past experiences to inform our future actions. As the 1967 Arusha Declaration promulgates:

the mistake we are making is to think that development begins with industries. It is a mistake because we do not have the means to establish many modern industries in our country (Nyerere, 1967).

Thus, the construction and maintenance of industries requires capacity, and one of the development capacities to learn from is the experience of past mistakes. According to Msambichaka et al. (2015: 15), it seems that the country has not internalized past mistakes:

Today some of the privatized SOEs are used as go-downs, entertainment halls, or are simply closed down. A close follow up of those who purchased SOEs to see if they implemented what were in the purchase agreements seems to have not been done. The result is what we see today. Even the strategic sunrise industries that were operational at independence are nowhere to be seen. The country has to start from the scratch if it is to own those industries that it had; be it through private ownership or otherwise.

Small Industrial Sector Development and Sustainability

Small industries are normally said to be labour-intensive, and mostly use local resources with less emphasis on technology (Bedi, 2009). To improve the competitiveness of such industries, it is imperative to improve technology. Nevertheless, regardless of all other factors, it is maintained that the policy changes of the mid 1980s were the among the major factor for the poor performance of Tanzania's local industries (Malyamkono & Mason, 2006).

In simple classical economics, changes in capital and labour will affect output of production. However, there are other factors that can affect output. These may include management and ownership, as well as policy. It is the contention of this paper to ascertain the effect of other factors besides labour and capital on the productivity of two clay (pottery) and brick industries in Ugweno, Kilimanjaro region. These industries were particularly established in this specific area because of the availability of strategic inputs, including special kind of soil as well as firewood as fuel for the kilns (Zilihona et al., 2011).

The Pottery Industry in Ugweno

The people of the coast of Tanzania were involved in metal work and pottery for domestic use well before the arrival of the colonialists (Chami, 1999). The handicraft technology of Tanzania was then said to have been simple but with a notable development in its dexterity,¹ with activities such as ironworking, cotton weaving and pottery being at the forefront (Koponen, 1988). Maghimbi (1994: 19) affirms this as follows:

In the Ugweno social formation, there existed very specialized wood workers, weavers and potters, and in particular, that *pottery was especially very developed*, and the pots from this area are exported to towns up to the present, and used to be exported to Kenya... (*emphasis mine*).

So, the craft itself is neither a foreign imposition nor imported knowledge.

¹ See for example the reference Koponen (1988) is making to Bohl on pg. 257.

In the same vein, in Same, a group was found to be running a small-scale pottery industry. What is interesting is that although the group was running at a financial loss because of poor financial management, it was contributing 10% of its earnings to the Umoja wa Wanawake Tanzania (UWT), a women's organization of the ruling political party (Koda, 1975).

Methodology

Some data for the study were obtained through telephone interviews with the former operations supervisor of the Raa Industrial Complex, and the former manager of the Small Industries Development Organization (SIDO) for Kilimanjaro region. Also, we made site visits to see and assess the current situation of the two industrial sites. The former Member of Parliament for Mwanga constituency, HE Cleopa David Msuya, was also contacted for his views on the industrial development efforts in Mwanga district in the 1980s. Four sessions of focus group discussions (FGDs) were also conducted to refine the information gathered through the interviews. The first group for focus discussions comprised of members of the former Raa village council, including the former manager of the industrial complex. The second focus group discussion comprised of former employees of the pottery industry, while the third focus group was composed of independent men and women currently involved in pottery work. The former UWT leadership for Kisanjuni village was also contacted. The collected data were thematically analysed.

Findings and Discussion

By the early 1980s the people of Ugweno in Mwanga district had initiated efforts towards industrialization. A group of women from Kisanjuni village mobilized fellow women from neighbouring villages and put up a partially equipped industrial facility to produce clay items (ceramics). Financial help was received from the government of Denmark, and an expert was sent from Denmark to help kick-start the project. For some reasons, the industrial initiative never took off. A few years later, after realizing the industry was not going to work, the people of Raa village decided to go it alone. They successfully put up a factory to produce ceramic products, as well as bricks for construction. The factory started production and prospered. Trainers for local technicians came from Japan where the prospective factory manager underwent training.

Nevertheless, the Kisanjui factory did not last long before becoming defunct. Much of the equipment that the factory possessed is nowhere to be seen. The building that used to house the factory is now used as a meeting place for a VICOBA (Village Community Bank) group of women. Only some few individual potters are found working around the area because the material—the clay—is still available in abundance. In Raa village, an investor has taken over the building of the industrial area and reconverted it to a school. The key questions are: What went wrong? What were the challenges that were faced during the implementation of the two projects? What was the focus of the leadership then?

In Kisanjuni village the original plan was to organize a training place for women groups who would then, in turn, train others in their respective groups. The very initial idea was from just a single woman named Ms. Mary Msechu. She had asked friends from Denmark to send an expert for this purpose. Because she was a member of the women wing of the ruling party (UWT), she managed to convince the women to start the project. The land belonged to the Kisanjuni village. So, women from various groups in nearby villages came and made bricks for the construction of the 'shed'. The shed covered an area of about 200 square meters and included two offices and a lounge. The clay soil, which is the raw material, was only some ten meters away from the factory building. Electricity was never installed (perhaps it was not in the initial plan) but water was nearby.² Sadly, however, as of now the state of the building is pathetic with leaking roof and vandalized windows. Even the ready-made pottery products that members had made before starting the project are gone. The factory building is now a *Madrassa*, a Muslim teaching class.

In Raa village, originally there was a thatched shed where men and women met and conducted ironworks and pottery. The technology was local. A group of 'development friends' that came from the Denmark happened to visit Raa village during 1984/85. They supported the construction of a more modest shed for the industry. As the new building was coming up, the newly elected Member of Parliament for Mwanga constituency, H.E. Cleopa David Msuya advised them to expand it. So, they took a loan from the Community Development Trust Fund (CDTF) in Mwanga district for roofing and the purchase of working tools. The factory was to aimed at brick making, pottery, tailoring, iron working and carpentry. Among these, only brick making and pottery actually took off.

We found during the study survey that some of the working tools had been vandalized, and the people with the requisite skills on the production processes had left. The working tools that were not vandalized had to be sold to repay the loan. Brick and ceramic production continued for some time. In 1985, some volunteers came from Japan under the auspices of the Japanese Overseas Cooperation Volunteers to Raa to train workers. They also brought kick wheel machines to produce ceramic goods, as well as brick-making electrical equipment. In the same year, the Raa villagers requested for better machines from the Kilimanjaro Industrial Development Corporation. They got an earth mixer to complement the machines they had received from Japan. One person was sent to Japan for training and became the manager of the industry.

By the year 2000, the production was so low that the village council decided to privatize the industry. Still the new owners faced difficulties in terms of the availability of inputs, including water, clay soil and fuel. In 2010 the council

² Water is now a very serious problem not only in this area but the whole of Ugweno.

decided to lease the machines to a private borrower in Same district. The new owner moved and installed the machines in Same town and started production, but he had to stop in 2012 due to the government's ban on cutting trees for kilns. The private investor has since returned the machines to the Raa village council where they are now rusting.

Management versus Leadership

When the industries were being established, the required leadership for the initiation and actual take-off was available. At the inception, the Raa village had a very vibrant and dynamic leadership that contributed to the operation of one of the best development projects in Mwanga district, which made the village one of the best model villages in the country for several years. Through this able leadership, the village managed to own and run two primary schools, a maize milling machine, a shop, a lorry, a dispensary, a very dynamic cooperative union (mainly for coffee marketing) and the industry. Although the initiation of the development projects was through individuals and associated development partners, it was the district council that had the power of decision-making and presided all over the running of the projects. This was a very serious mismatch between the management of the village projects and the political role of the leadership of the village council. This kind of structural disposition was not the best for the sustenance of the projects, particularly the factories. For example, the decision of the Raa council to sell the village lorry was made without consulting the management of the factory.

Another example of blatant abuse of power by the village council was what happened in 1997. In that year, the Raa village won trade exhibition prizes at district and regional levels, and received sponsorship to participate in the International Trade Fair (DITF) in Dar es Salaam. The manager of the factory formed a team and the requisite items for display at the fair, but two days before departure, the village council informed the manager that he had no mandate to decide who was going to Dar es Salaam! The village council formed a team of their own, that included the village and council chairpeople, which sparked a conflict between the factory management and village leadership. A few months later the manager resigned and the free fall of the industrial complex began. It was strongly argued by the respondents that the leaders of the village were interfering in the affairs of managing village projects. One of them said: "*When they want to rule in everything and they do not have the expertise, they end up killing everything.*"

In Kisanjuni the introduction of the factory was the idea of only one woman-leader, who managed to convince the women to come together and make bricks, by starting to construct a shed. The intention was to train women who would train others in their villages, and hence improve not only the technology but also production of earthen items. As mentioned earlier, the woman-leader, through the UWT, managed to bring an expert from Denmark for the initial training. However, by the time the construction of the shed was finished, the visa granted to the Danish

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expert had expired, and could not be extended.³ The Danish left and the project never took off. In the words of the UWT secretary: “*There was no expertise and the village failed to take over, which is the main reason (for the failure).*”

Other Factors

Role of Women

The role of women under the auspices of UWT is clearly seen in Kisanjuni. Even now it is a woman who has discovered the potential of the site, and is using it to earn a living. The women of Raa had participated actively from the inception of the industry, but the change in technology has been a challenge to them. The metal wheel is said to be too heavy for them, and because the sewing machines were vandalized, they were only left with kiln tools for producing ceramics items, which were too difficult for them to handle. Surprisingly, the whole village council of Raa had no woman member!

Role of SIDO

Although SIDO had been very active in Kilimanjaro for a long time, it did not directly involve itself with the two factories although some of the machinery that were being used in the factories were made by SIDO. During the time of the study, the former SIDO Manager for Kilimanjaro region indicated that that, some women in Usangi were enjoying a small support from SIDO which had been running a site reminiscent of the one intended for the Kisanjuni village. The Usangi women were also being trained in various skills (including entrepreneurship), and also met in groups in the same facility to produce earthen items. It seems that SIDO was passive during the establishment of the Kisanjuni project because by then the organization was under divestiture, and its future was not clear. It was only when it was decided in 2003 that SIDO would not be privatized that the organization started to pick up, and is now active.

Accounting

It was found out that the accounting systems of the two projects were also wanting in skills and procedures. The accounting style did not, in practice, include meaningful depreciation cost accounting. For example, the maintenance of the machines and the lorry was not very well captured in the accounts. Also, the equipment was not insured. Cost points were not clearly budgeted for, while revenues were not clustered according to source for clear accounting. Auditing also needed to be improved as there was no formal auditing that had taken place. These issues must be scaled up if the villages should consider reviving their industries.

Technological Conflict

It has been noted that one of the reasons for the ease of take off in the industrialization in the developed countries was the compatibility of technologies. The machines that were introduced to the Kisanjuni village factory, for example,

³ It is claimed that the village leadership did not put in enough effort to save the situation and the expert had to leave.

were all metallic, heavy, and expensive. This partly alienated women from operating them. The women who were initially producing clay pots in the area dispersed at the introduction of the new machines. Their local technological arrangements were also dismantled. There are views that basically there was no need of the imported machines. The locally made wooden machines were easily affordable and functional, as well as being easier to operate even by women. In Raa, when the new technology came the very famous historical iron makers, the Shana, had to disperse. Their indigenous knowledge, expertise and experience were never considered.

Similarly, the older generation was forced out as old production arrangements and locally made capital goods were rendered redundant. The lesson here is that indigenous knowledge should always be improved and not replaced. People understand best what is theirs by origin. Even the cost of the new technology must have been unnecessarily higher than could have otherwise been had the local potential been considered.

The Views of HE Cleopa David Msuya

We separately present the views of HE Cleopa Msuya because he played a very strategic and active role in leading, guiding and advising development work in his constituency for all the time that he was a Member of Parliament. His frank opinion could be summarized as follows:

“A new industry is like a new born child. There must always be someone to ‘worry’ about it. We believed in groups, villages, and cooperatives because we did not have seasoned managers. That is where the weakness is. Although well-wishers are there, management is crucial. It is safer and even better to support a determined individual than a village because when something belongs to many people, finally it does not belong to anybody. We should always focus on actual management. Otherwise communal projects won’t work.”

According to him, therefore, the biggest challenge we have had so far in our development projects—not only in Mwanga and Kilimanjaro, but all over the country—has been the mismatch between good (leadership) intentions and actual managerial practices. Even the women of Usangi, who have a better history with the pottery industry, and who are still relatively better organized under SIDO, are said to be struggling with management issues. For several years, a lot of good will support has been given to villages under Msuya’s leadership, but in almost each case the problem has been how to separate political leadership from the actual running and management of village projects.

Conclusion and Recommendations

Reading through literatures (Rutasitara, 2004; Skarstein & Wangwe, 1986; Wangwe, 1983, 2004; Simbakalia, 2015), several factors seem to have contributed to the failure of industrial projects in Tanzania. These include choice and management of technology, lack of consistency and clarity in national industrial

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strategies, stiff competition with goods from outside the country, lack of skilled manpower, high cost and inadequate supply of raw materials, problems of economies of scale, dependency on foreign aid, lack of adequate link with the agrarian sector, as well as limited capacity of the private sector to provide expertise and capital for industrial development. These factors may have contributed only at an arm's length to the failure of the industrial projects in the case discussed here.

One major problem that was found to have caused the failure of the projects discussed in this article was a serious mismatch between the interests and practices of political leadership and project managers. The important deduction we can make from the findings is that there is a need for village council leaders to be equipped with managerial skills. This includes project management and human resource management. Village leaders should receive special training once they are elected into office to equip them with the requisite managerial skills to run projects in their areas. Village councils should only be trustees of development projects, but not final decision-makers: this should be left to competent managers of projects. Management could even be hired from outside the village, and be made accountable to the village council.

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