

Examining the Influence of Firm Internal Level Factors on Performance Variations among Micro and Small Enterprises: Evidence from Tanzanian Agri-Food Processing Firms

Authors : Pulkeria Pascoe, Hawa P. Tundui, Marcia Dutra de Barcellos, Hans de Steur, Xavier Gellynck

Abstract : A majority of Micro and Small Enterprises (MSEs) experience low or no growth. Understanding their performance remains unfinished and disjointed as there is no consensus on the factors influencing it, especially in developing countries. Using a Resource-Based View (RBV) as the theoretical background, this cross-sectional study employed four regression models to examine the influence of firm-level factors (firm-specific characteristics, firm resources, manager socio-demographic characteristics, and selected management practices) on the overall performance variations among 442 Tanzanian micro and small agri-food processing firms. Study results confirmed the RBV argument that intangible resources make a larger contribution to overall performance variations among firms than that tangible resources. Firms' tangible and intangible resources explained 34.5% of overall performance variations (intangible resources explained the overall performance variability by 19.4% compared to tangible resources, which accounted for 15.1%), ranking first in explaining the overall performance variance. Firm-specific characteristics ranked second by influencing variations in overall performance by 29.0%. Selected management practices ranked third (6.3%), while the manager's socio-demographic factors were last on the list, as they influenced the overall performance variability among firms by only 5.1%. The study also found that firms that focus on proper utilization of tangible resources (financial and physical), set targets, and undertake better working capital management practices performed higher than their counterparts (low and average performers). Furthermore, accumulation and proper utilization of intangible resources (relational, organizational, and reputational), undertaking performance monitoring practices, age of the manager, and the choice of the firm location and activity were the dominant significant factors influencing the variations among average and high performers, relative to low performers. The entrepreneurial background was a significant factor influencing variations in average and low-performing firms, indicating that entrepreneurial skills are crucial to achieving average levels of performance. Firm age, size, legal status, source of start-up capital, gender, education level, and total business experience of the manager were not statistically significant variables influencing the overall performance variations among the agri-food processors under the study. The study has identified both significant and non-significant factors influencing performance variations among low, average, and high-performing micro and small agri-food processing firms in Tanzania. Therefore, results from this study will help managers, policymakers and researchers to identify areas where more attention should be placed in order to improve overall performance of MSEs in agri-food industry.

Keywords : firm-level factors, micro and small enterprises, performance, regression analysis, resource-based-view

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