

## **Effects of Business Development Service Providers' Resources Endowment on Service Delivery to Performance of Small and Medium Enterprises in Northern Tanzania**

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### **Abstract**

The resource endowment of business development service providers (BDSPs) is crucial for the provision of services to small and medium enterprises (SMEs). This paper assessed BDS providers' resource endowment and the extent to which it enhances service delivery to SMEs in Arusha City and Moshi Municipality. A total of 65 BDS providers and 254 SMEs were sampled for the study. A cross-sectional design was used for this study. Respondents were sampled using purposive and simple random sampling. Data were collected through a questionnaire-based survey, focus group discussions, observation and documentary reviews. Content analysis was used to analyse qualitative data, while quantitative data were analysed using the Statistical Package for the Social Sciences (SPSS). The results indicated that BDS providers hardly have sufficient resource endowment to deliver their BDS to SMEs in the form of human capital, physical resources, networking ability and information systems. However, the level of resource endowment differs among BDS providers. Similarly, the surveyed BDS providers were not performing to their full potential in service delivery due to a number of challenges they were

encountering. Among the reported challenges facing BDS providers were SMEs' slow rate of adopting new knowledge and technology and insufficient financial and human resources and geographical location. The study concludes that resources such as human capital, physical capital, networking abilities, and information systems available among BDS providers contribute to building their capabilities to deliver services to SMEs. The study recommends that BDS providers capitalize on their resources to be in a better position to provide competitive services to their clients.

**Keywords:** *Business Technical Advisors, Development Service Providers, Resource Ownership, Capabilities, Enterprises.*

## **1.0 Introduction**

Globally, small and medium enterprises (SMEs) are the fastest growing sector in many economies and have been seen as the backbone of most economies in both developed and developing countries (Obi *et al.*, 2018; Ndiaye *et al.*, 2018). Small and medium enterprises contribute more than one-third of the gross domestic product (GDP), 34% of formal employment in emerging economies, 41% in developed economies and 52% in developing economies (ILO, 2017). Likewise, SMEs stimulate domestic demand through job creation, innovation and competition (Naude and Chiweshe, 2017; ADB, 2014).

In Tanzania, SMEs are estimated to contribute 27% to national GDP and employ approximately 5.2 million people (URT, 2012). However, their contribution might be underestimated due to a high level of informality (Bengesi and Le Roux, 2014; Bengesi, 2013). In recognition of SMEs' contributions to the economy, the Government of Tanzania (GoT) has taken a number of initiatives aimed at facilitating the establishment and promotion of SMEs, including reforming policies, legislation, and supportive programmes for the development of the SME sector (URT, 2002). These are, for example, the Sustainable Industrial Development Policy (SIDP) of 1996-2020, the National Micro Finance Policy of 2017 and the Small and Medium Enterprise Development Policy of 2003 (Charbonneau and Menon, 2013). Similarly, there have been establishments of a number of public business development service providers (BDSPs) to support the development of SMEs, including the establishment of the Small Industries Development Organization (SIDO) in 1973, the Centre for Agricultural Mechanization and Rural Technology (CAMARTEC) in 1982, the Tanzania Engineering and Manufacturing Design Organization (TEMDO) in 1982 and the

Vocational Education and Training Authority (VETA) in 1994. Furthermore, the GoT enabled improved access to capital for small entrepreneurs by expanding credit guarantees to the private sector, establishing parastatal bodies and banks such as the National Microfinance Bank (NMB) and Small Entrepreneurs Loan Facility (SELF) in 1999, the Tanzania Cooperative Development Commission (TCDC) in 2019 and also allowing Tanzania Federation of Cooperatives (TFC) to be a member of CICOPA in 2017, which is a subsidiary organization of International Cooperatives Alliance (ICA), to provide services to SMEs (Isaga, 2012; URT 2012).

Moreover, after economic liberalization in the mid-1980s, the GoT shifted its focus away from direct service provision to SMEs. As a result, the private sector was given an upper hand in assuming responsibility for driving economic growth, including addressing SME challenges so that they could contribute to a country's social and economic development, as stipulated in the National Development Vision, 2025 (URT, 1999). Thus, most of the activities related to SME capacity building were handled by BDS providers with the responsibility to facilitate, build capacity and imparting advanced technological and professional knowledge (Goodluck *et al.*, 2016; Kahinde and Ashamu, 2014; Ahmad, 2012; Mazanai and Fatoki, 2012).

However, despite the GoT's initiatives and efforts to support SMEs for a number of years, and existence of BDS providers in promoting and delivering services to their development, their full potential is yet to be tapped due to a number of constraints they face. These constraints are claimed to be existence of bureaucracy, poor physical infrastructures, inferior products, inadequate business training and skills, little access to information and limited admission to technological developments, access to finance, gender-related problems and socio-cultural commitments (Juma and Said, 2019; Isaga, 2019; Lindvert *et al.*, 2018; Kabanda and Brown, 2017). Other challenges are unfavourable legal and regulatory frameworks, low accessibility to BDS, low supply of raw materials and power, poor market accessibility and competition (Magembe, 2017; Ekblom, 2016; Kimathi, 2015; Mashenene and Rumanyika, 2014; Mbura, 2013). Moreover, the literature suggests that SMEs are potentially not performing to their desired potentials due to inadequate BDS providers' resource endowment to enhance effective service delivery to them.

It is against this background that this paper assesses BDS providers' resource endowment to determine their capability to deliver adequate service to SMEs in Arusha City and Moshi Municipality. This paper is

guided by the following research questions: Do BDS providers have adequate resources to deliver service to SME? How do BDS delivered services affect SME performance? What challenges are BDS providers facing in delivering services to SMEs?

Undertaking the study on which this paper is based was timely since in the current GoT context, there is a new shift of the economy approach aiming to drive the nation towards industrialization as a strategy to attain Tanzania Development Vision 2025. In achieving this, SMEs need to be innovative and competent in their operations as one of the drivers to achieve sustainable development goals (SDGs). Consequently, BDS providers need to be committed and capable of developing competent services for SMEs. The findings reported in this paper will also establish a foundation upon which other related studies can be undertaken. In addition, examining BDS providers' capabilities for service delivery will be able to identify weak points, which will then be strengthened for more effective service delivery.

Service delivery refers to the actual delivery of a service and products to customers or clients (Lovelock and Wright, 2002). The service concept defines the "how" and the "what" of service design and helps mediate between customer needs and an organization's strategic plans (Goldstein *et al.*, 2002). This paper, therefore, refers to service delivery as a process of delivering BDS to SMEs.

### **1.1 Situation of Business Development Service (BDS) in Tanzania**

Business Development Service (BDS) is an array of activities that firms use in managing their operations to enhance efficiency and effectiveness and improve performance and competitiveness (McVay, 1999). It also facilitates access to markets and infrastructure facilities, introduces new technology and procurement services, improves management and technical skills, eliminates policy barriers and helps SMEs access appropriate financing mechanisms (Esim, 2000). In the context of this study, BDS are referred to as non-financial services offered by various BDS providers to SMEs at various stages of their growth, such as market access, infrastructure, policy and advocacy, input supply, training and technical assistance, technical and product development, and financial mechanisms.

## 1.2 State of Small and Medium Enterprises Development in Tanzania

Definitions of small and medium enterprises (SMEs) differ from country to country and industry to industry. However, most of the definitions are based on sales turnover, capital size or asset size and number of employees. Wangwe (1999) and Massawe (2003) argued that the definition of SMEs is slippery and has not been universally agreed upon. However, this paper adopts the definition of SMEs according to Ngowi and Milanzi (2006), who argue that SMEs are divided into four categories based on the SME policy of the 2003 categorization (URT, 2003). These are microenterprises with 1 to 4 persons and a capital of up to five million Tanzanian shillings (TZS). Small enterprises are those that employ 5 to 49 persons and have a capital of six to 200 million TZS. Medium enterprises are those that employ 50 to 100 persons and have a capital of 201 to 800 million TZS. Large enterprises employ 100 and above persons with a capital of more than 800 million Tanzanian shillings (URT, 2003).

**Table 1: Categories of SMEs**

Category of Enterprises	Number of Employees	Capital Invested (TZS) in million
Micro	1 to 4	Up to 5
Small	5 to 49	5.1 to 200
Medium	50 to 100	201 to 800
Large	101 and above	Above 800

**Source: URT, 2003**

## 2.0 Theoretical and Conceptual Frameworks

### 2.1 Theoretical Framework

This paper is guided by theoretical insights from resource-based view (RBV). The theory is based on the assumption that the major success factor of an organization resides in the productive resources it possesses and the skills of its employees (Koumaditis *et al.*, 2013). Resources can traditionally be categorized into physical capital, human capital and organizational capital (Barney, 1991). These resources serve as assets and sources of organizational strengths that enable the organization to perform its activities efficiently by seizing opportunities in its environment (Robinson, 2008; Schumpeter, 1942). For this paper, four

types of resources were adopted as suggested by Barney (1991) to measure the resource endowment of BDS, which can then influence its organizational capabilities to deliver quality services to SMEs.

The RBV suggests that differences in certain resources and assets may allow some firms to implement plans that alter an industry's performance in ways that uniquely benefit these firms. Barney and Mackey (2005) argue further that resources have the ability to create value for firms if they are used effectively to accomplish set goals. Therefore, firm heterogeneity in terms of resources represents an important source of competitive advantage for their businesses (Barney, 1986). Furthermore, the successful development of organizational capabilities requires the interaction of various resources (Morris *et al.*, 2017; Bessant and Tidd, 2007). However, Grant (1990) viewed resources as inputs to organizational processes to build capabilities, which increase their efficiency, especially when delivering services to their clients.

The critics of the resource-based view, such as Priem and Butler (2001), argue that the theory is somewhat rigid because it does not provide appropriate advice on the role of various resources and specific resources the firm should accumulate to gain competitive advantage. To address this criticism, and based on the fact that BDS are “Knowledge Based” firms that use the knowledge of their employees to provide solutions to the needs of their clients, the Knowledge Management (KM) theory is also included in guiding the study. The main resource of KM is human capital, making knowledge management a part of operational and strategic activities (Huggins and Johnston 2012). Knowledge is part of human resource competence, which plays an important role in achieving firm's performance whereby the latter is more directed at its ability related to knowledge and learning than its physical assets (Kyani and Falakinia, 2016). Therefore, knowledge management promotes creativity, effectiveness and quality services (Liu and Deng, 2015). The creation of knowledge-based organizational capability depends on its ability to acquire and utilize knowledge from external sources to create new intellectual capital (Bennet *et al.*, 2015). The application of acquired knowledge to develop effective services relies on employees' endowment and their competences (Wines *et al.*, 2013).

This paper is of the view that RBV and KM theories are remarkable in explaining important relationships among variables related to the firm's resources and knowledge that leads to the capabilities of BDS providers to deliver their services effectively. The RBV recognizes that resources rarely act independently in creating value. The effect of

resources depends on how well they are integrated with and supplemented by human resources. Therefore, an organizational capability is rooted in skills, processes and knowledge sharing (Johnson *et al.*, 2017).

Resources enable an institution to run, and therefore acquisition, accumulation and allocation of resources by a firm should be done carefully to realize their potential (Ganley, 2010). Thus, resource availability and utilization have a positive influence on the capabilities of BDS providers to deliver services to SMEs. Resources are the platform upon which many activities within BDS providers' organizations can be carried out. As such, human capital, information technology, networking ability and physical asset resource endowment may enhance the capability of BDS providers to effectively deliver quality services to their clients (Moindi, 2014).

However, it is argued that BDS providers' service delivery systems and processes might satisfy or dissatisfy their customers depending on their ability to acquire adequate and productive resources to develop the capability to deliver such services (Kihara *et al.*, 2016). In most cases, SMEs cannot be separated from the services offered by BDS providers because SMEs' needs are BDS providers' opportunities (Kamyabi and Devi, 2011). Therefore, the satisfaction and growth of SMEs depends on the effective and efficient application of useful resources that BDS providers can accumulate to build their capabilities to deliver the best services to SMEs. Nonetheless, the capability and quality of service provided by BDS providers depends on the quality of the possessed resources (Moindi, 2014).

On the other hand, organizations require resources as inputs to perform their activities to achieve set objectives (Goedhuys *et al.*, 2014). However, possession of resources does not automatically lead to creation of value, unless the organization is able to accumulate, combine and exploit its resources to extract value from them (Ndofor *et al.*, 2015; Simon *et al.*, 2007). Therefore, a higher level of firm internal resource endowment leads firms to outperform their rivals with a low level of such capacities (Newbertet *et al.*, 2008). Hakala (2010) argues that organizational resources determine how an organization transforms its resources into performance.

The RBV theory has been applied by different scholars, such as Grant (1991; 2002), who attempted to conceptualize the relationships among resources, organizational capabilities and competitive advantage. Grant's (2002) suggested that resources owned by a firm, such as

financial capital, physical equipment, intellectual property, reputation and human resources, are basic and primary inputs into organizational processes and capabilities. Schreyogg, and Kliesch-Eberl (2007), Levinthal (2000) and Cyert and March (1996) applied RBV theory to evaluate the capabilities of their organizations using resources. Onserio (2018), in a study on strategy implementation and organizational performance, observed that resource allocation is a key activity that has an effect on the achievement of organizational objectives. However, it is argued that capability is not represented by a single resource but by a number of organizational resources.

On the other hand, several studies on KM have focused on its importance to employee development (Gonzalez and Martin 2014), to the growth of organizations (Wang and Lin, 2013), its relationship with business performance (Gholami *et al.*, 2013), and its importance to innovation (Ben *et al.*, 2015), among others. These studies assert that effective knowledge management through acquisition, sharing and application contributes to organizational capabilities to accomplish their objectives.

In the Tanzanian context, there have been a number of established BDS providers that have continued to facilitate SME development and growth by delivering BDS. In essence, SME needs are quite diverse and require capacity building in terms of training and financial support, and skills required for marketing their products, opportunities identification, market research, business planning and financial management (Standing *et al.*, 2016; Sumelius, 2013; ILO, 2000). Therefore, in addressing SME needs, BDS providers need to possess adequate and productive resources to enhance effective service delivery to them.

With regard to research, various studies in Tanzania have been conducted on BDS providers. For example, Olomi (2009) highlighted challenges facing BDS providers, such as weak services, mismatch between BDS and SMEs needs, and SMEs' reluctance to pay for BDS provided to them. Kessy and Temu (2010) also conducted a study on the impact of training delivered by microfinance institutions (MFIs) to SMEs and found that those enterprises owned by recipients who have attended business trainings had higher performance than those which did not.

However, all these studies focused on different aspects of BDS providers' service delivery capabilities and needs, but none of them focused on BDS providers' resource endowment that facilitates their capabilities for effective delivery of services to SMEs. For BDS providers to be able to effectively provide BDS to SMEs, they need to understand



their core resources that contribute to their capabilities. Hence, the findings of this study will fill the existing knowledge gap in the literature.

This study therefore hypothesizes that BDS providers are incapable in terms of resources: human personnel, information technology, networking ability or physical resources to deliver quality services effectively to SMEs. Thus, this study assessed BDS providers' resource endowment and the extent to which their resources are utilized to deliver services effectively to available SMEs in the study area.

In this view, this study adopted the Barney (1991), Marino (1996) and Grant (1991) conceptualization of resources as inputs and sources of organizational capabilities. By doing so, this study articulates BDS providers as tangible (human and physical resources) and intangible (networking and information system) resources that are essential in determining their capability in effectively providing their services to SMEs. Specifically, the study argues that the most important determinants of effective service delivery are human resource capital, physical resources, information systems and networking (Galbraith, 1973; Bettencourt and Brown, 1997). Hence, the conceptual framework describes the direct positive effect of the BDS resources on effective service delivery (Figure 1).

Furthermore, Parasuraman *et al.* (1985) suggested dimensions to measure the level of satisfaction of customers. These dimensions are reliability, responsiveness, competence, access, courtesy, communication, credibility, security, competence, understanding the customer, and tangibles. On the other hand, Berry *et al.* (1985) and Zeithaml and Bitner (1996) indicate that the level of customer satisfaction is based on the perceived value of service quality and consists of eight dimensions: tangibles such as physical facilities, equipment, personnel, written materials, reliability, responsiveness, assurance, and empathy. According to Dusuki and Abdullah (2007), the quality of services includes factors such as treating customers politely and with respect, staff ability to uphold trust and confidence, effectiveness and efficiency in handling transactions, and competency of staff in handling customers' banking needs.

Therefore, based on the reviewed literature, this study modified the eight dimensions discussed in the literature and came up with six because some dimensions meant nearly the same thing in practice, such as physical facilities and equipment, to measure the levels of SME satisfaction with services delivered by BDS providers. These include staff

competence, response to SME needs, accessibility to BDS, application costs, technical know-how and training materials.

## **2.2 The Conceptual Framework**

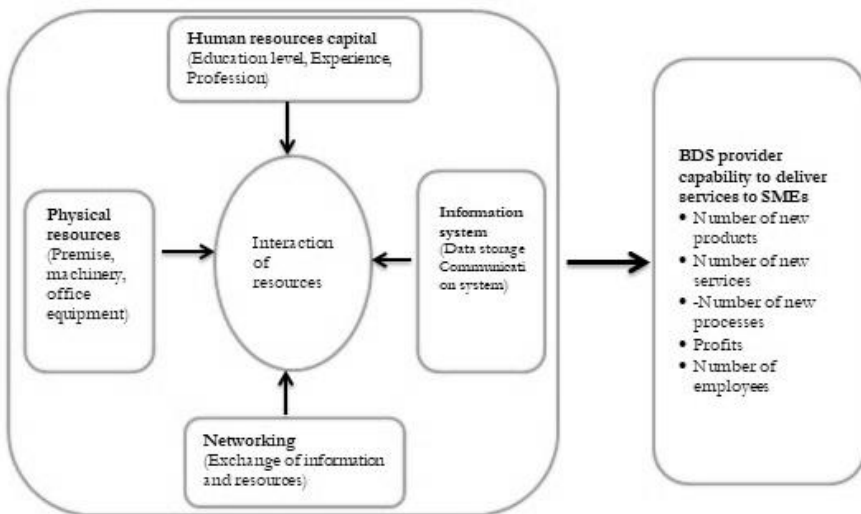
Based on RBV and KM studies, Figure 1 presents a conceptual framework of this paper and suggests that the available internal resources influence BDS providers' capability to deliver effective services to SMEs. However, this is influenced by the quality and strength of each internal resource that affects BDS providers' capability. Internal resources endowed by BDS providers must be interrelated and managed in the sense that the availability and strength of one resource influence the others and ultimately BDS providers' capability to effectively deliver services to SMEs. For instance, human capital is among the vital resources BDS providers own. Human capital brings to the organization a set of intangibles: knowledge, skills, experience and reasoning. A critical portion of the knowledge and skills required for service delivery resides within employees and is used by BDS providers. Knowledgeable employees are important in acquiring, planning and integrating other resources for optimal usage in service delivery to customers. It is assumed that a greater percentage of competent and professional employees increase BDS providers' capability to deliver effective services to their clients.

Similarly, networking supports BDS providers in grasping desired resources from other organizations to complement scarce resources such as information and knowledge to deal with SMEs' identified needs. Therefore, this paper assumes that if BDS providers have high interaction with diverse sources of knowledge, then they will yield prosperity in service delivery. On the other hand, physical resources support employees and other resources to perform various BDS providers' activities in terms of premise, offices, facilities and equipment, raw material and location. In light of this argument, this paper postulates that BDS providers with sufficient physical resources are more likely to inspire workers and contribute to BDS providers' capability to deliver effective services to their clients. Likewise, an information system composed of hardware, software, mobile devices, data and procedures is essential in the development, processing, dissemination and storage of clients' information.

This paper assumes that building organizational capabilities depends on the competence and knowledge of employees to acquire, assimilate

and utilize resources in different ways that cannot easily be copied by rivals. In other words, the combination of human capital with other resources is crucial to develop an appropriate bundle of resources that can lead to BDS providers' capability. However, differences in knowledge of management and planning or coordination between firms and the proportional combination of each resource to form a certain bundle of resources are what differentiate the capabilities and competitive advantages of one firm from another.

Resources endowed with BDS and their capabilities



**Figure 1: Resources contribution to BDS providers' capabilities in service delivery to SMEs (Source: Adapted and modified from Barney 1991)**

### **3.0 Methodology**

#### **3.1 Description of the Study Area**

The study was conducted in Arusha City and Moshi Municipality. The selection of the study area was based on the fact that both sites are among the growing urban centres with a considerably high number of SMEs in Northern Tanzania (URT, 2016). The two research sites connect tourism and regional transit for the Northern Corridor of Tanzania. Similarly, they are home to large manufacturing sectors in the region, such as breweries, soft drinks, dairy, food and sugar processing,

agro-forest processing factories and large pharmaceutical industries (Pasape, 2018). The presence of the industries calls for demand for services provided by SMEs, such as raw materials and other inputs needed for production, manufacturing, and services provision. The economic growth and concentration of SMEs in these districts, on the other hand, has resulted in the demand and concentration of BDS providers, which support the development of SMEs in these areas.

### **3.2 Research Design**

This study adopted qualitative and quantitative approaches and employed a cross-sectional research design that allows data collection at a single point in time (Babbie, 1990). The research design was suitable because it allows the researcher to look at numerous characteristics or variables and measure the outcome at once using limited resources for data collection (Setie, 2016).

### **3.3 Study Population, Sampling Procedure and Sample Size**

The study population included BDS providers and SMEs in the study area. The study targeted non-financial BDS providers' owners or chief executive officers (CEOs) and registered SME owners/managers as the unit of study. The rationale behind the selection of CEOs or owners as Key Informant interviewees (KIIs) is that the executives have the most comprehensive knowledge of their organization's characteristics and play a major role in decision-making (Otero-Neira *et al.*, 2009).

A purposive random sampling technique was used to draw out a sample size of 65 KIIs from a total population of 76 service providers. Likewise, the study areas were purposively selected, the criteria being a high concentration of SMEs in Northern Tanzania. A simple random sampling technique was used to select 254 SME respondents from a total population of 696 SMEs. The random sampling technique reduces human bias and gives equal chances for every individual in the sampling frame to be included in the study (Bernard, 2013, Saunders *et al.*, 2012) and enables findings to be generalized.

#### **3.3.1 Determination of BDS sample size**

Sample size determination for BDS was based on the formula proposed by Yamane (1967) as presented in Equation 1.

$$n = \frac{N}{1 + N(e^2)} \quad (\text{Equation 1})$$

Whereby:

n = sample size

N = Population size

e = level of precision

$$\frac{76}{1+76(0.05)^2} = 65$$

$$n = 65$$

### 3.3.2 Determination of SMEs sample size

Sample size determination for MSMEs was also based on the formula proposed by Yamane (1967) as presented in Equation 2.

$$n = \frac{N}{1 + N(e^2)} \quad (\text{Equation 2})$$

Whereby

n = sample size

N = population size and

e = level of precision (sampling error)

$$n = \frac{696}{1+696(0.05)^2} = 254$$

$$n = 254$$

## 3.4 Data Collection Methods

### 3.4.1 Primary data collection

Primary data were collected through Key Informant Interviews (KIIs). For each BDS provider organization, only one key informant was interviewed. Data from KIIs were collected using an in-depth interview guide with semi structured open-ended questions. This method was used because it provides more qualitative information (Starman, 2013; Stokes and Bergin, 2006). Some of the questions asked included BDS providers' characteristics of the respondents, resources capabilities and challenges encountered in BDS delivery.

The SME surveys were conducted to explore the extent to which SMEs were knowledgeable about BDS provider operations. A questionnaire with a five-point Likert scale was used to capture the perception of SMEs on the capability of BDS providers. The outcome of BDS was provided in such a way that a respondent had to agree or disagree on whether the services delivered were viable.

### **3.4.2 Secondary data collection**

For triangulation purposes, secondary data were collected by reviewing different internal documents, including reports, staff curriculum vitae, training materials, human resource documents, job descriptions, work plans and other relevant materials for this study.

### **3.5 Data Analysis**

Content analysis was used to analyse data obtained from KI interviews. Data were recorded and transcribed prior to data analysis. Transcription was carefully performed to maintain the original meaning of the information. Thereafter, data were coded to help identify themes and subthemes related to the extent to which BDS providers understood possessed resources and their capabilities in service delivery. The aim was to have a clear understanding of common patterns within human experience and process interpretation to capture people's opinions and judgment.

In addition, for desk-collected data related to the capacity of BDS providers' resources, a content analysis technique was employed to analyse information captured in various documents. This involved several stages, namely, reading the reports and other documents, such as job descriptions and training manuals, coding the data (organizing related data), identifying themes or categories, comparing different themes to

find their similarities and differences and finally interpreting different themes.

The information obtained from the SME survey was analysed using the Statistical Package of Social Science (SPSS) software for descriptive statistics, including frequencies and percentages.

### **3.6 Measurement of Capability Variables**

The study adopted four indicators of capability identified by Barney (1991), Marino (1996) and (Grant, 1991), namely, human capital, networking, physical resources and information systems. Networking (Bengesi and Le Roux, 2014; Walter *et al.*, 2006), physical resources (Barney, 1991; Marino, 1996; Javidan, 1998; David, 2007), information systems (Javidan, 1998; David, 2007) and human capital (Bharadwaj, 2000; Croteau *et al.*, 2001).

#### **3.6.1 Firm performance**

SME performance is considered an outcome derived from running business (Hasan and Almubarak, 2016). It is measured using financial and non-financial measures. Financial performance includes return on investment and return on equity, return on sales and net profit margin. Non-financial measures include customer satisfaction, sales growth, employee growth and market share (Maziku *et al.*, 2014; Li, Huang, and Tsai, 2010).

#### **3.6.2 SME ratings perception**

A Likert scale was used to gauge the SME respondents' perceptions regarding BDS providers' resource endowment and their influence on service delivery capability. Six statements were asked about BDS providers' resource capabilities in service delivery. These included service providers training material quality, staff competence, accessibility to available BDS, time taken to respond to SMEs need, application costs and level of technology usage in which 1 was strongly dissatisfied, 2 was dissatisfied, 3 was somehow satisfied, 4 was satisfied and 5 was strongly satisfied. The attributes rated using the Likert scale were adopted from Parasuraman *et al.* (1985), which included the time taken for BDS providers to respond to SMEs needs, staff competence, and accessibility to BDS, application costs, technical know-how and training materials.

To measure the outcome of service delivered, this study used criteria proposed by Choi (2003) and Yukl (2008), which include the following: sales, profit, expenditure, number of employees and savings.

## **4.0 Results and Discussion**

This section presents the results and discussion about BDS providers' capabilities based on selected resource endowments of human capital, networking ability, physical resources and information systems. The section also presents the outcome of BDS providers' resources on SME activities. Furthermore, the section discusses the challenges encountered by BDS providers in service delivery.

### **4.1 Business Development Service Providers' Resource Endowment and Capabilities**

The capabilities of BDS providers to deliver services to their clients depend on the resources endowed and how they are managed (Almarri and Gardiner *et al.*, 2014). In this context, the adequacy, function and capabilities of resources were explored.

#### **4.1.1 Human capital**

Education is an important parameter of human capital that helps to reduce inequality and to lay foundations for effective knowledge and institutional management. For proper management of resources and service delivery, the education levels of BDS providers' employees were thought to be an important parameter to be assessed in this study. As demonstrated in Table 2, all the BDS providers' employees had relevant education that could enable them to develop and deliver services as required as well as engage in knowledge sourcing and application. For instance, the majority had acquired postgraduate education. These findings are in line with a study by Benkenstein (2017), who found that Knowledge Intensive Business Service (KIBS) requires possession of specialized skills, high technologies and professional knowledge. These findings suggest that the nature of organizations in the study area attracts highly educated employees. This implies that if other factors remain constant, employees' level of education will contribute highly to increasing the capabilities of BDS providers to deliver services. Education is expected to increase employees' ability to develop and



provide high-quality service that is based on this knowledge. Additionally, education is expected to expose employees to new sources of knowledge and skills and support them in the application of acquired knowledge.

**Table 2: Business development service providers' human capital endowment and capability**

Level of education	Frequency	Per cent
Post graduate (PhD/Masters)	22	34
University (Undergraduate)	16	25
Technical college	15	23
Ordinary secondary school	9	13.4
Primary school	3	4.6
<b>Total</b>	<b>65</b>	<b>100</b>

The study also assessed the professional qualifications of BDS staff. It was found that the greatest proportion (29.2%) of the staff had specialized in finance and accountancy and development/sociology (20%). The level of education, coupled with varied specializations, influences human resource capabilities to deliver BDS effectively. In essence, staff's education and professionalism contribute to service provision in different ways. First, knowledge arising from employees' formal education enhances their analytical, technical, and development of relevant services for SMEs (Karpov, 2016). Second, professional skills and experience developed from job-related technical know-how and relevant work experience help to make informed decisions based on real-time feedback through individual and team efforts. The results from this study are in line with the observations made by Aroge (2012) and Kinyua (2015), who found that training and education are the best ways to equip employees with experience and skills for the implementation of projects and the provision of services.

**Table 3: Business Development Service Providers' Professional capability**

Professional qualification	Frequency	Per cent
Finance and accountancy	19	29.2
Agriculture/Veterinary	12	18.5
Engineering	4	6.2
Law	1	1.5
Development/Sociology	13	20
Economics	5	7.7
Others (Insurance, Broadcasting)	5	7.7
Information Technology specialists	6	9.2
<b>Total</b>	<b>65</b>	<b>100.0</b>

The study also established how long employees had been working within their current business. As presented in Table 4, the greatest proportion (38.4%) of BDS employees had more than six years of experience; which is considered long enough for someone to manage processes and create knowledge relevant for BDS organizations or professional services. These findings imply that the majority of employees were well motivated and committed, which are important factors in knowledge management (Samul *et al.*, 2019). The findings are supported by Samei and Feyzbakhsh (2015), who argue that experience increases the ability of employees to be more creative, which is a very important aspect in service delivery.

**Table 4: Business development service providers' experience**

Years in working in BDS organizations	Frequency	Per cent
1 to 5 years	19	29.2
6 to 10 years	25	38.4
11 to 15 years	10	15.4
Above 15 years	11	17.0
<b>Total</b>	<b>65</b>	<b>100.0</b>

Therefore, from empirical data, it was learned that BDS providers have highly skilled and specialized staff who ensure that their entities deliver services in unique ways. This was manifested in their work plans, training manuals, and the ways services were delivered. In most cases, the delivery of core services and activities depends on knowledge that is held by the organizational members. Normally, education offers essential skills and competence for service providers, mostly in the identification of SME needs and the provision of relevant services for the identified needs.

Furthermore, from key informants' interviews, it was found that most firms had been nurturing and developing their staff to have the necessary KM skills and to equip them with necessary knowledge creation, sharing and application. These skills were vital in undertaking their duties effectively. Most of the surveyed organizations indicated that they met their human resource needs and had permanent employees. Staff competence was developed through in-house training, seminars, job rotation and group exposure, continuous education on products and services to staff and through exchange programs within the group. This is in line with the argument by Asfaw *et al.* (2015) that the provision of training and the development of staff increase their working ability, which enhances their organizations' capabilities to deliver effective BDS to SMEs.

Similarly, some BDS providers had the financial capacity to offer attractive salaries, a condition allowing the possibility of recruiting professionals and motivating their staff. In ensuring staff competence during the recruitment process, one respondent claimed that:

“What differentiates us from other entities is the existence of a structured recruitment programme which is very rigorous. We have induction programmes that help us recruit strong candidates. We set objectives, and we have continuous performance appraisal for each staff member. Similarly, before hiring our staff, we normally assess their track records by contacting referees and previous employers. After hiring, we coach and mentor our new staff to uphold good performance, and cross referencing and checking track record by contacting referees and previous employers” (Key Informant Interview, 2017).

Thus, most BDS providers choose their staff carefully to obtain the most competent ones. Generally, the firms had employed personnel with the required skills to provide services. Likewise, respondents reported that their firms had introduced routines and processes to acquire, organize, and share information by establishing internal departmental cooperation and employees exchange programs with other firms. In this case, there were high interaction and learning processes within the firms. Prukasa (2014) argues that human capital is fundamentally an individual asset with its value for a firm's social relationship establishment. For example, a member of the staff is free to explore various sources of information. One of the KIIs made the following comments:

“When a problem is new to me or difficult to solve, I can enter a discussion forum or call another staff to find a way out” (Key Informant Interview, 2017).

Another key informant reported the following:

“When I need a solution, I normally search on the Internet or project documents and sometimes ask for help from colleagues” (Key informant interview SIDO, 2017).

It was learned that BDS employees use their skills to develop tools for the identification of SME needs and develop relevant packages for identified needs. The multidisciplinary expertise possessed by BDS provider staff helped their organizations to be responsive to the needs of SMEs and committed to developing relevant solutions. Apart from needs identification, BDS providers have developed and provided various working equipment and technical support to SMEs. For example, BDS providers such as Small Industries Development Organizations (SIDO), Centre for Agricultural Mechanization and Rural Technology (CARMETEC), Rikolto and Bangladesh Rural Advancement Committee (BRAC) provide subsidies to purchase improved technologies such as packing materials, agricultural inputs, drinkers, feeders, welding machines, and solar dryers, among others, to SMEs. They also transfer technology to help SMEs access and use new inputs, equipment, or production processes to develop their enterprises. Consequently, the support provided by BDS providers assisted their clients in establishing small projects, such as chicken and goat rearing, vegetable gardens and milk collection centres. These findings are in line with observations made by Stenholm *et al.* (2013) and Kraaijenbrink (2011), who found that knowledge, improves individuals’ abilities and helps them identify, analyse and use opportunities for productive economic activities. Additionally, Kazozcu (2011) stresses that organizations with the ability to create above average utility value of their assets, human or physical, are well positioned to mobilize these assets for a competitive edge, enjoying minimal threats of being replicated.

However, despite the presence of highly skilled personnel with multiple skills, there are some firms lacking staff with the same qualities. For example, it was observed from some organizations that did not have enough staff hired volunteers, temporary employees and sometimes outsourced from other firms. This in turn affects human resource

development and internal resource endowment and hence capabilities to deliver services in a timely and efficient manner. The RBV insights hold that to provide a competitive advantage, a firm's resources must be unique. Therefore, the findings from this study support the conceptualization of BDS providers' human capital as an essential internal resource that influences BDS providers' capability to deliver services effectively.

According to the KM view, performance differences between organizations accrue due to their different stocks of knowledge and their differing capabilities in using and developing knowledge. From this perspective, knowledge-based organizations such as BDS providers' main activities create and utilize knowledge. Therefore, their capabilities to deliver services have an impact not only on the performance of their clients but also on the creation of the clients' knowledge. Therefore, it is advisable that BDS providers strive to employ and retain people with high qualifications to carry out activities of an intellectual nature. Employment should also focus on other aspects, such as capacity building skills, relationship building and needs assessment skills. The delivery of effective service will contribute to SMEs' ability to meet both national and international development goals.

#### **4.1.2 Networking**

Normally, networking brings together diverse groups with different or similar interests and change agents, thus providing an opportunity for cross learning and resource sharing. In the context of BDS providers, networking in service delivery among BDS providers reduces the duplication of resources and activities and facilitates the sharing of experiences to promote SME development. For example, respondents from SIDO shared that networking with other BDS providers, such as the United Nations Industrial Development Organization (UNIDO) and the Tanzania Medicine and Medical Devices Authority (TMDA), in the food processing industry for women helped to reach many women. Similarly, BRAC supplied farmers with improved chicken breeds and contracted the Harsho Company to supply farmers with improved chicken feed and vaccines.

However, cooperation between BDS providers is initiated and nurtured for different purposes. These are, for example, development and access to different services/products such as finance, packing material and training and technology transfer. Furthermore, most BDS

providers have been able to facilitate their clients to participate in exchange or learning visits, the purpose being to help them advance enterprise-related knowledge, skills, and marketing information and obtain experiences from each other. Moreover, BDS providers have helped their clients participate in trade fairs and yearly agricultural exhibitions such as the *Nane Nane* and *Saba Saba* trade shows in Tanzania.

From KIIs, private BDS providers emphasized the importance of initiating networking with government agencies in service delivery. External relationships can create opportunities to acquire information, solve problems, expand market shares, and ultimately help add value and enhance strategic capability (Anwar and Ali Shah, 2018). Networking as a resource is easier to imitate, but the bond that can be established between service providers is likely to be difficult to imitate because it involves social bonds established through mutual understanding between them.

Nonetheless, some key informants had mixed feelings regarding the importance of networking. Some claimed that it is a waste of time and slows decision-making and sometimes may result in copying and pasting or duplication, especially for BDS providers with identical services/products. However, to the contrary, BDS providers use embedded knowledge arising from networking to identify and use opportunities to create newer services and/or work practices. As observed by different scholars (Meiseberg and Ehrmann, 2013; Park *et al.*, 2004), firms may be limited by the boundaries of their networks in the sense that they may be unable to take advantage of some opportunities because their relationships or their attitude do not provide access to such relationships. In addition, relational capital is path dependent, and firms are limited by the boundaries of their networks in the sense that they may be unable to take advantage of some opportunities because their relationships do not provide access to the appropriate resources.

The KM stresses that the network is one of the most important intangible resources for BDS providers to acquire new resources (Mwai *et al.*, 2018). The resources acquired from networks add value to BDS providers only when they are applied and managed in unique ways that non networks will not be able to copy. Likewise, KM recognized networking as one of the most important sources of knowledge because the key to obtaining long-term competitive advantage is found in the ability of BDS providers to generate new knowledge and utilize it to

solve their clients' needs (Del Giudice and Maggioni, 2014). Therefore, BDS providers should enhance their networking by strengthening and managing strategic network relationships to increase their capabilities to deliver services.

#### **4.1.3 Physical resources**

For any BDS provider to be able to provide service efficiently, sufficient investment in physical resources or infrastructure is essential. Physical resources can be in the form of machines, buildings, tools and locations. It was learned that half of the surveyed firms owned buildings and other physical resources, such as vehicles and computers. Physical resources support BDS providers in performing their duties effectively. For example, computers aid in data management, preparation of different reports and training. Similarly, as argued by scholars (Inmyxai and Takahashi, 2010), the firm's physical resources supported with advanced technology can increase production, services, and business operations. This means that firms with adequate and quality physical resources enable their employees to achieve set goals that enhance the capability of organizations to deliver services.

BDS providers' business locations differed based on the nature of the services they provide and the resources endowed to provide such services. Some BDS providers' entities, such as BRAC, Rikolto, TCCIA, SIDO, CAMARTEC and SIDO, have brand names and offices within different regions and outside the country (for example, BRAC and Rikolto). The experience and knowledge acquired from these various office operations combined with both local and international experience enable them to offer a wide range of high-quality services. Knowledge acquired from various sources becomes an asset to accomplish BDS organizations' goals (Davenport *et al.*, 1998).

Most BDS providers were located in urban areas where they benefited from good infrastructure, such as good roads, electricity, the internet, and water. BDS providers' location enhances easy mobility and accessibility by clients and other BDS providers. It was found that the location and availability of power and other facilities contributed to the capability of BDS providers to deliver their services. This is in line with an observation by Pearce and Robinson (2014) that the acquisition of physical resources requires important decisions such as location, type of buildings, accessibility, raw materials and reserves. This means that

management must make clear decisions to acquire physical facilities because their presence affects the performance of the organization.

#### **4.1.4 Information systems**

BDS providers use Information Systems (IS) for innovative ideas from other stakeholders, provide information to customers, store customer information and produce reports. Key informants considered technological infrastructure and equipment to be necessary for the efficient implementation of their daily activities. The technology has accelerated their operations and access to information embedded with the installation of websites and the use of computers and laptops. By using an information system, they have been able to increase efficiency and connectivity with clients and reduce operation costs. Therefore, timely access to information about service, clients and the market helps a firm anticipate the business environment and configure its business strategies accordingly (Chen *et al.*, 2017). BDS providers' knowledge (i.e., service and client) makes them capable of anticipating business needs and facilitates strategic action.

KM, coupled with an efficient information system, supports an organization in dealing with a high variety of market segments along with rapid and expansive consumer needs (Cavusgil *et al.*, 2013). Most BDS firms embraced modern technology speed in the processing of information used in decision making; about this, a KII shared the following:

“I think we have come a long way and made a lot of progress on the issue of information technology; this has helped us to access information from different sources and share that information within the organization but also with our clients” (Key Informant Interview, 2017).

Another KII was proud that they could use information technology to produce reports, as substantiated in the statement below:

“Here, most of our daily activities are done using an information system. It helps us to store clients' data and reports.” (Key Informant Interview, 2017).



However, the potential role played by IS systems for BDS providers in service delivery faces some challenges that are worthy of acknowledgement. Most BDS providers do not fully use information systems in delivering their services. Likewise, some BDS providers charge their customers access information from them, for example, bank statements and loan status. Clients are not also connected to BDS providers' information systems, such as shared emails and mobile systems. It was observed that there were delays in information sharing and much paper work between service providers and their clients.

Information technology is certainly one of the basic sources of KM. Similarly, IS resources facilitates the capability of firms' KM process to extend its ability to access external sources of knowledge (Ferraris *et al.*, 2017). Adequate and appropriate communication infrastructure contributes to the development of BDS knowledge networks, which increase their capability to deliver services. It increases the ease of communication and interaction within organizations and their clients and helps in the integration of knowledge and other resources (Ardito *et al.*, 2015; Tseng, 2014). Therefore, based on the study findings, the endowment of BDS resources increases the capability of BDS providers to develop and process knowledge effectively, leading to effective service delivery. Similarly, the endowment of other resources motivates human capital (potential source of firm knowledge) to translate its expertise and experience into firm-specific knowledge on service development and the promotion of BDS providers' capability in service delivery.

The production and process of BDS involves knowledge application, which resides in human capital, and for this reason, it becomes difficult to transmit and be imitated by rivals. The findings imply that human capital is the most prominent resource owned by BDS providers, and their knowledge is a primary source and driver of all other resources. Therefore, the ability of BDS resources to deliver their organizations' capabilities is governed by the knowledge management ability, which resides in human capital.

The findings of this study encourage the need for building the capacity of BDS providers' staff through trainings and other educational programs to equip them with necessary skills and knowledge that will lead to the acquisition and integration of other resources. The findings are supported by IFAC (2015) and Theriou *et al.* (2009), who argue that knowledge is a vital resource that is used to govern competitive advantage and firm performance through the management of other resources.

Therefore, based on RBV theory assertions, resources need to have unique and inimitable attributes. In the case of BDS providers, information systems can be inimitable because developing infrastructure requires the careful blending of unique technology components to fit firm's needs and priorities. Likewise, the KM view acknowledges the potential of employees' knowledge as a determinant factor of organizational survival in the competitive business environment. Processes and practices employed by organizations to manage knowledge are a means to achieve their goals by creating the best ways of using existing resources to increase their capabilities to perform better.

## **4.2 The Effect of Business Development Service Providers' Resources Capabilities**

### **4.2.1 Perception of SMEs of business development service providers' resource capabilities**

The findings, as presented in Table 5, indicate a positive link between BDS providers' resources exhibited in the rated capabilities. Staff competence was highly rated, with a mean of 3.9. Staff competence was attributed to BDS providers' employees' level of education and specialization, as reflected in Tables 2, 3 and 4. BDS providers' accessibility had a mean of 3.8. This means that BDS providers' services were accessible for support. This could be associated with BDS providers' information systems and networking capabilities. Organizations with the ability to invest in information systems and technology enable their employees to operate and respond to the needs of their clients effectively (Markgraf, 2018). However, there is one interesting disparity in how the application cost was rated the lowest, with a mean of 3.0. This suggests that the cost of acquiring services is a challenge to most SMEs. The findings are supported by Daskalakis *et al.* (2014) and Pandula (2015), who argue that the major obstacle facing SMEs in accessing BDS is related to high interest rates charged on financial products and other costs attached to non-financial services. Generally, respondents were somehow satisfied with the capabilities of BDS providers because most of the variables fell within the range of somehow satisfied and satisfied (3 and 3.9).

**Table 5: Extents of respondents' satisfaction with BDS providers' capabilities (n=209)**

Statements	1 Strongly dissatisfied	2 Dissatisfied	3 Somewhat satisfied	4 Satisfied	5 Strongly satisfied	Mean index	Rank
Training materials	1	1	77	110	20	3.7	3
Staff competence	3	12	45	96	53	3.9	1
Accessibility to BDS	2	10	61	90	46	3.8	2
Response to needs	8	20	65	70	46	3.6	4
Application costs	18	47	75	40	25	3	5
Technical knowhow	4	9	80	60	56	3.7	3

Resource endowment and capabilities in service delivery are key factors in the relationship between service providers and SMEs because these factors pertain directly to the supply of BDS. That is, the SMEs' perception of BDS capability impacts demand for service; therefore, delivery of BDS requires, to some extent, adequate resources, additional abilities and skills, especially in creativity and communication. Hiebl (2015) posits that the skills and knowledge employees possess represent an antecedent of their roles in their organizations because role behaviour is a product of qualifications and capacity and reflects their organization's image.

#### **4.2.2 Effectiveness of business development services delivered to SMEs**

The effectiveness of service providers is reflected in clients' business performance (Sofiyani, 2013). The descriptive results for the variable "effective BDS delivery" were provided in terms of the mean and standard deviation of the rankings, as presented in Table 6. The mean for BDS providers' service delivery effectiveness ranged from 3.35 to 3.88. The findings of the study mean that BDS providers' resource endowment was perceived to affect their firms' effectiveness in service delivery.

The SMEs operation cost had the highest mean of 3.88. This shows that business operation cost was perceived to have higher effectiveness compared to business profit, which had a score of 3.57. An increase in

operation costs has a negative effect on other variables. It decreases business profit and savings as well. Therefore, businesses would have to increase sales by selling more commodities to make profit. The SMEs' increase in operational costs might be attributed to uncontrolled premises rental costs, fluctuating transportation costs, raw material costs, unstable and unfixed pricing of farm products, which impact the ability of SMEs to meet operational costs. According to Pratiwi (2014), an efficient business is one that is able to reduce operating costs to gain higher profit.

**Table 6: Perceived effects of BDS delivered to small and medium enterprises (n=209)**

Statement	Significantly decreasing	Decreasing	Remain the same	Increasing	Significantly increasing	Mean	Std Deviation	Rank
Profit	2(0.8)	17(6.7)	66(26)	16(6.3)	108(42.5)	3.57	0.788	2
Sales	2 (8)	13(5.1)	99(39)	22(8.9)	73(28.7)	3.48	0.803	3
Savings	6(2.4)	13(5.1)	93(36.6)	11(4.3)	86(33.9)	3.40	0.803	4
Operation costs	3(1.2)	2(0.8)	100(39.4)	25(9.8)	79(31.1)	3.88	2.967	1
Number of employees	2(0.8)	9(3.5)	120(47.2)	69(27.2)	9(3.5)	3.35	0.679	5

Based on these results, the mean score on savings was 3.4, which implies that SME savings might have been affected by the rise in operational costs. As argued by scholars (Ahmad and Mahmood (2013) and Jilani *et al.* (2013), savings are determined by the growth of income and spending level, whereby they also found that profit was also negatively affected by an increase in SME operation costs.

### 4.3 BDS Providers Service Delivery to SMEs Challenges

There are numerous challenges encountered by BDS providers in service delivery, as presented in Table 7. The most commonly reported challenges were insufficient funds to manage an increased number of clients and operational costs (26.2%) and distance and costs to follow and monitor clients (24.6%).

**Table 7: BDS delivery challenges (n=65)**

<b>Challenges</b>	<b>Frequency</b>	<b>Per cent</b>
Insufficient funds to manage the demand for service and operational costs	17	26.2
Distance to follow clients	16	24.6
SMEs slow adoption of new knowledge and technology	9	13.8
Government finances do not come on time (delay) for BDSP which depend on government subsidies	9	13.8
Delay in loan repayment	7	10.8
Competition from other service providers	4	6.2
Staff turn over	3	4.6
<b>Total</b>	<b>65</b>	<b>100.0</b>

The challenge pertaining to the scarcity of capital resources is attributed to SMEs' limited capacity to purchase services, limited government subsidies (public BDS), limited funding activities, and fluctuating overhead resources. That is, BDS providers need to focus on other capacity building activities and products to remain sustainable while supporting SMEs (Otieno *et al.*, 2013).

Furthermore, there is low awareness of BDS providers' operations and value among SMEs, as confirmed by the key informant below:

“Unfortunately, some SME practitioners are not aware of our operations and the value our services can add to their enterprises. Sometimes our roles are misunderstood leading to misinterpretation of our operations and roles” (Key Informant Interview, 2017).

This indicates a lack of belief and acceptance of BDS providers' roles among the SMEs. This challenge is attributed to lack of awareness and accessibility, self-perception and price sensitivity due to limited resources (Goyal *et al.*, 2015).

Furthermore, there was a lack of regulations and standards in service delivery to SMEs, as one KII explained below:

"Because there are no set standards and a regulatory body for operation of BDSPs, there are many consultants who charge low prices but offer low quality services. The problem is that many entrepreneurs do not have experience or knowledge to distinguish between low and reliable quality services" (KII interview, 2017).

The lack of standards and regulations for BDS providers is characterized by an unpredictable, complex and inappropriate policy framework and a lack of ground-level understanding by policy makers. This causes the prevalence of immoral consultants in the market due to the weak regulatory framework, unreliable datasets and price sensitivity of SMEs (Sergi, 2015; Otieno *et al.*, 2013). Moreover, the dynamic nature of competition and globalization, demand for proper monitoring of BDS providers so as to provide professional services to the SMEs. Therefore, it is suggested that challenges facing BDS providers need prompt solutions not only from practitioners but also from policy perspectives.

## **5.0 Conclusions and Recommendations**

### **5.1 Conclusions**

This paper assesses BDS providers' resource endowment in order to determine their capability which in turn influences the quality of services they deliver to SMEs in Arusha City and Moshi Municipality. This paper was guided by three research questions of i). Whether BDS providers have adequate resources to deliver service to SME? ii). How do BDS delivered services influence SME performance? and iii) What challenges are faced by BDS providers that are hampering them from delivering quality and required services to SMEs?

From the study findings, it can be concluded that some BDS providers in the study area are somehow sufficiently endowed with resources that build their capabilities to deliver services to SMEs. These resources are human capital, physical resources, networking abilities and information systems, although at varying levels. It can also be concluded that the four resources have different levels of impact on SME performance. However, it can be concluded that human capital seemed to be the most influential resource, and especially when combined with other resources such as networking abilities to achieve BDS providers' objectives. Therefore, ownership of such resources ensures more reliable service delivery to the SMEs.

It is also concluded that the effectiveness and impact of BDS delivered to SMEs vary considerably among SMEs. Most SMEs benefited from increased profit and sales, access to loans and other inputs such as seeds, machinery and packing materials. However, BDS providers face a number of challenges in service delivery, such as SMEs' slow adoption of new knowledge and technology, insufficient financial

resources, clients' delays in loan repayment, distance to follow clients and staff turnover.

## **5.2 Recommendations**

Considering the challenges associated with service delivery and dynamic and competitive business environments, it is recommended that BDS providers continue to devote more attention to the development and improvement of their resources. In addition, BDS providers should clearly and professionally acquire superior and competent resources that will increase their capabilities to accomplish their objectives. In general, BDS providers should make deliberate efforts to enhance the absorptive capacity of employees for new ideas and the value of education in generating alternative and effective solutions for their clients. Moreover, they should actively promote and improve KM practices to enhance efficiency and effectiveness in their organizations.

On the other hand, since the study found that there is neither policy framework, nor operational guidelines for BDS providers in Tanzania, it is recommended that the Ministry of Trade and Industry should ensure that these two important documents are in place and are part and parcel of the National SME policy of 2003 when reviewed.

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