

**CAPABILITIES OF BUSINESS DEVELOPMENT SERVICE PROVIDERS' IN
SERVICE DELIVERY TO SMALL AND MEDIUM ENTERPRISES IN ARUSHA
CITY AND MOSHI MUNICIPALITY**

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**THESIS SUBMITTED TO SOKOINE UNIVERSITY OF AGRICULTURE IN
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EXTENDED ABSTRACT

Despite the various interventions aimed at supporting Micro, Small and Medium Enterprises (MSMEs) in Tanzania, the challenges facing their development have persisted. Business Development Services (BDS) providers have an instrumental role in MSMEs development. However, the question of capability of BDS providers and hence their effectiveness in delivering BDS to MSMEs is yet to be adequately addressed.

The main objective of this study was to assess BDS providers' capabilities in service delivery to MSMEs in Arusha City Council and Moshi Municipality. Specifically, the study analyzed BDSPs internal resources endowment, service delivery pathways and MSMEs absorptive capacity.

Business Development Service Providers are recognized as public and private firms which provide a range of non-financial services to MSMEs.

The study employed the cross-sectional design and mixed approaches namely qualitative and quantitative. A sample size of 254 MSMEs respondents was chosen using a simple random sampling technique and a sample size of 65 BDS providers were chosen using a purposive sampling technique. Primary data were collected using Key Informants Interviews (KII), a questionnaire survey, documentary review and focus group discussions (FGDs) methods. Qualitative data were analysed using content analysis and quantitative data were analysed using the Statistical Package of Social Science (SPSS) software, for descriptive statistics including frequencies and percentages.

The study results revealed that, most of the BDS providers had inadequate human resources to match the appropriate service delivery. However, MSMEs were highly satisfied with the personnel expertise and accessibility to services but they were dissatisfied with the costs of the service and increased operating expenses. Increased business operating expenses were caused by uncontrolled rent on business premises fluctuating transportations costs, raw material costs, and

price fluctuations-of raw materials. However, despite the inadequate resources of BDS providers, the impact of their services was significant in various MSMEs. The reported impacts derived from BDS provided to MSMEs were, increased ability to access inputs and loan, increased ability to run businesses and use of technology, increased yield and business diversification.

The majority of BDS providers were private entities and mainly provided market access, provision of input supply, and alternative financing to MSMEs. This implies that most of the service providers in the study area were market oriented. However, there was a significant difference with regard to public BDS providers doing better in provision of infrastructure development and policy/advocacy because they are long lived and capital intensive.

However, the most preferred service delivery pathways by BDS providers were training, seminars and workshop, technical demonstration centers and trade exhibitions, these were easier to organize and involved a large number of their clients. The findings also revealed the difficulty in determining the most appropriate pathway to follow in delivering BDS to MSMEs. The reasons being that in some cases, BDS providers used more than one delivery pathway. However, the study revealed a lack of generic service delivery pathway since each BDS provider has its own focus and work independently while MSMEs differed from one enterprise to another.

Similarly, the study findings indicated that, the majority of MSMEs owners had secondary education and an experience of one to three years business management. Also, the majority of enterprises were micro with capital of more than or equal to Shs. <5million and more than or equal to < 5 employees. This indicates that, the majority of MSMEs had the capacity to identify appropriate BDS to meet their needs although an experience of 1-3 years in business management could impair their capacity to adopt to new knowledge timely. The findings also show that, the majority of enterprises were micro enterprises. This depicts low capital and therefore low ability to access and apply BDS for innovation, although they can access BDS through sponsored trainings, incubators and networking that allow sharing of resources and information.

Similarly, it was observed that, despite the government's efforts to promote public BDS providers by providing incentives, access to BDS from these firms remained low, with only (39.8%) of MSMEs using their services. It is worth noting that, insufficient support and less accessibility of public BDS may impair development of MSMEs because of their low ability to purchase services from private service providers.

In conclusion, capability of BDS providers is not only explained by capability of resources endowed because, in the study area the level of resources endowment differs from one BDSPs to another and the same applies to service delivery pathways. It was evident that effective BDS delivery depends on absorptive capacity of MSMEs to access and use delivered services. This implies that capability of BDS resources alone is not sufficient to enable successful service delivery, unless MSMEs are willing to access and utilize delivered services. Therefore, consideration of MSMEs absorptive capacity has to be taken seriously before development and delivery of BDS.

This study advocates for policy makers to consider establishing guidelines which will be used to guide delivery of BDS. The government should also provide subsidies for private service providers who can invest and bring in appropriate technology to MSMEs. Subsidies should be attractive enough to compensate for the costs that may be incurred. In addition, policies such as minimum local content policies should be applied to motivate BDS providers to provide services to MSMEs particularly micro and small enterprises.

This study has provided some empirical insights on the areas of focus and or future improvement to the MSMEs policy of 2012 particularly on the business development service delivery standards and guidelines for service provision; such aspects are currently inadequately addressed.

DECLARATION

I, Anande Erasto Kweka, do hereby declare to the Senate of Sokoine University of Agriculture that this thesis is my own original work done within the period of registration and that it has neither been submitted nor being concurrently submitted in any other institution.

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DEDICATION

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LIST OF ABBREVIATIONS AND ACRONYMS

AC	Absorptive Capacity
ACT	Absorptive Capacity Theory
AICC	Arusha International Airport
BDS	Business Development Services
BDSP	Business Development Service Providers
BRAC	Bangladesh Rural Advancement Committee
BUMACO	Business Management Consultants
CAMARTEC	Centre for Agricultural Mechanization and Rural Technology
CICOPA	International Organisation of Industrial and Service Cooperatives
CRS	Catholic Relief Services
ENGLOF	Ecumenical Church Loan Fund
FAO	Food and Agriculture Organization of the United
FYDPII	Five Years Development Plan
GDP	Gross Domestic Product
GoT	Government of Tanzania
ICA	International Cooperative Alliance
IFC	International Finance Corporation
ILO	International Labour Organization
KIA	Kilimanjaro International Airport
KIBS	Knowledge Intensive Business Service
KII	Key Informants Interview
KM	Knowledge Management
KM	Knowledge Management
LGA	Local Government Authority

MSMEs	Micro, Small and Medium Enterprises
MSMEs	Micro, Small and Medium Enterprises
NBS	National Bureau of Statistics
NMB	National Microfinance Bank
OCGS	Office of Chief Government Statistician
R&D	Research and Development
RBV	Resource Based View
RM	Relationship Marketing
SACCOS	Savings and Credit Cooperative Society
SDG	Sustainable Development Goal
SELF	Small Entrepreneurs Loan Facility
SIDO	Small Industrial Development Organization
SIDP	Sustainable Industrial Development Policy
SM	Service Marketing
ST	System Theory
ST	System Theory
TaCRI	Tanzania Coffee Research Institute
TBS	Tanzania Bureaus of Standards
TCCIA	Tanzania Chamber of Commerce Industry Agriculture
TCDC	Tanzania Cooperative Development Commission
TECC	Tanzania Entrepreneurship and Competitive Centre
TEMDO	Tanzania Engineering and Manufacturing Design Organization
TMDA	Tanzania Medicine Devices Authority
TPC	Tanganyika Planting Company
TPI	Tanzania Pharmaceutical Industries
TRA	Tanzania Revenue Authority

UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nation Industrial Development Organization
URT	United Republic of Tanzania
URT	United Republic of Tanzania
VETA	Vocational Education and Training Authority
WHO	World Health Organization

CHAPTER ONE

1.0 Introduction

1.1 Background to the Study

Micro, Small and Medium Enterprises (MSMEs) play a significant role in economic development, social uplifting and political stability of many countries (Ayyagari *et al.*, 2011; Batsakis, 2014; Ndiaye *et al.*, 2018). MSMEs make up over 90% of all the enterprises in the world and account for 50% to 60 % of employment (Munro, 2013). Thus, MSMEs represent a major source of employment and generate significant export earnings, hence are a key to poverty reduction (St-Pierre *et al.*, 2015; ILO, 2017; Auzzir *et al.*, 2018).

MSMEs benefit the economies of many countries through their ability to use local resources, provision for self-employment and increase savings as well as local income (Asare *et al.*, 2015). They also play a vital role as a specialized supplier of parts, raw material components and assemblies for big companies. This is because MSMEs produce cheaper products at lower prices compared to larger companies (Singh *et al.*, 2008). Therefore, subcontracting MSMEs for production is an excellent business practice (Wang *et al.*, 2018).

However, despite such necessity and contribution, the survival ability of MSMEs in both developed and developing countries has primarily been questioned. As documented in the literature, the main concern about MSMEs, particularly in developing countries, is that a considerable 70% of MSMEs are closed down within less than five years of their business commencing (Imran *et al.*, 2019; Prasanna *et al.*, 2019). This is because MSMEs are

challenged by lack of resources, innovative technological ability, and limited access to finance compared to large-scale firms (Chesbrough, 2010; Ren *et al.*, 2015).

In the face of development, MSMEs have limited chance to succeed unless they receive support to enhance the quality of their products and services. However, it is asserted that survival of MSMEs depends on their ability to adopt strategies that increase their competitiveness in the market (Goncalves *et al.*, 2019). Therefore, the need to support development of MSMEs has made governments all over the globe to put in place different measures to increase performance of MSMEs. These support including access to financial and non-financial resources, formulation of policies in favour of MSMEs and different programs that aims to increase their competitiveness (Kehinde and Ashamu, 2014).

Recently, in order to improve the performance of MSMEs in developing nations including Tanzania, the Committee of Donor Agencies for Small Enterprise Development (CDASED) established the term Business Development Service (BDS) in the 1990s (CDASED, 2014). The term BDS refer to non- financial services and products accessible to entrepreneurs to meet their business needs and to ultimately enable them to improve their performance. These include: training, marketing services, technology development and transfer, access to information, business advice, consultancy and counselling services, managerial services, policy influence and administrative services (Committee of Donor Agencies for Small Enterprise Development, 2001).

This thesis, has adopted a BDS defining as non-financial support provided by government agencies as well as Non-Governmental Organizations (NGOs), industry associations including financial institutions such as Microfinance and banks (which is provided with or in combination with finance) in form of training, marketing services, technology

development and transfer, access to information, business advice, counselling services, policy influence, incubation services to improve performance of MSMEs (Fakhri *et al.*, 2012).

In different contexts, BDS provision takes various forms. For instance, in developed countries, different types of business support programmes have been implemented such as Network Advice Centres which consist of different types of support such as social, commercial and support networks which provide external expertise, feedbacks and resources for development of MSMEs (Gorman and McCarthy, 2006). Another type is subsidization of consultancy whereby business support providers reduce administrative costs by contracting private consultants to perform their duties on their behalf (Mole *et al.*, 2005). These BDS providers are assigned to provide BDS on specific areas or groups of new or existing MSMEs (Turok and Raco, 2000).

However, Organization for Economic Cooperation and Development (OECD) report outlined the proceedings of an international conference held in the United Kingdom and coordinated by the OECD, acknowledged the increasing involvement of BDS during the previous ten years (OECD, 2018). According to the International Finance Corporation (2006), an increasing number of nations have started a variety of BDS to support growth of their MSMEs. For example in Malaysia, the government has set forth enough funding for BDS operations that are carried out in collaboration with the private sector (Ombi *et al.*, 2018). According to the Global Entrepreneurship Monitor the United Kingdom has launched a variety of BDS and programs to promote MSMEs at various stages of their development. Likewise, the United States of America have registered BDS providers who support enterprises in marketing, legal and physical infrastructure Bennett and Robson (2003) indicate that, in Britain in 1991, 86% of MSMEs sought BDS and in 1997 the

number increased to 93% and 94% in 2002. A study conducted by Carey *et al.* (2005) revealed that 65% of surveyed MSMEs purchased BDS. Likewise it was also reported that most firms 70% of 305 MSMEs in Norway rely on BDS (Gooderham *et al.*, 2004)

In the Tanzanian context, the Government of Tanzania (GoT) has taken several initiatives and strategies to support development of MSMEs soon after the economic liberalisation in the 1980s in which the focus shifted away from direct BDS provision to MSMEs. As a result, most of the activities related to MSMEs capacity building were handled to BDS providers. These BDS providers were given the responsibility to facilitate, build capacity and impart a wide range of advanced technological and professional knowledge to MSMEs. The aim was to increase their contribution to country's socio-economic development as stipulated in the National Development Vision, 2025 (URT, 1999; Ahmad, 2012; Kahinde and Ashamu, 2014; Goodluck *et al.*, 2016). BDS providers are referred to as firms or individuals that provide BDS directly to MSMEs. They may be private for-profit firms, private not-for-profit firms, Non-Governmental Organizations (NGOs), government agencies or industry associations specializing in creating and delivering BDS to MSMEs. They may also be firms whose core business is not BDS but who provide them as part of a broader transaction or business-to-business relationship for example financial institutions such as Banks and Microfinance Institutions (MFI) (Olomi, 2009; Fakhri *et al.*, 2012).

Similarly, it was at this time when various BDS providers were developed in the country for instance, Rural Development Strategy of (2001), Agricultural Sector Development Strategy of (2001), Strategic Trade Policy of (2003), Micro-finance Policy, Poverty Alleviation Strategies of (2005) and MSMEs Development Policy of (2003) which was replaced by MSMEs Development Policy of (2003).

Despite the efforts undertaken by the government in empowering MSMEs and supporting development of BDS providers, most MSMEs have continued to be constrained by the same challenges that were thought to be addressed by BDS providers. Such constraints include poor management, limited access to finance, inability to compete and others (ICA, 2013; Shafieyoon and Masouri, 2014; Magembe, 2017; Lindvert, 2017). Failure of BDS providers to address these MSMEs challenges has made various scholars (URT 2002; OECD, 2004; Olomi, 2009; Otieno *et al.*, 2013) to doubt their capability in delivering BDS successfully. This implies that BDS providers are unable to provide BDS successfully (Otieno *et al.*, 2013). Therefore, this study attributes the identified challenges to capabilities of resources endowed by BDS providers. It is, therefore, high time for the scientists to move beyond merely the impact of services provided to MSMEs to the capability of BDS providers in addressing MSMEs challenges.

However, according to the resource-based view theory (RBV), which is rooted in the work of Penrose (1959), resources strengthen capability of organizations to plan and implement their strategies (Learned *et al.*, 1969; Porter, 1991). The resources to which the RBV refers are organizational assets, capabilities, processes, firm attributes, information, knowledge, and anything else within the control of the firm that enables it to implement its plan successfully (Daft, 1983). According to this theory, organizational resource capability is crucial for enhancing customers' value creation (Martelo *et al.*, 2013). Organizational capability refers to an organization's efficacy in achieving its targeted goals (Henri, 2004). Nevertheless, David (2007) contends that all organizations have different types of resources that must be utilised in order to accomplish the organization's goals. These resources include finance, human, physical and technology. According to Barney and Hesterly (2006), organizations' internal resources can be classified into four broad categories: human resources, physical resources, and organization resources. This

study adopted the four key dimensions for measuring organizational capabilities from Barney (1991) which includes human, networking, physical and information system. Those dimensions are considered to be important attributes in the service delivery process. BDS providers are important stakeholders in development and delivery of relevant BDS to SMEs (Tefera, 2008). Therefore, the governments have to ensure that these organizations have capabilities to deliver those services to SMEs. The government is duty bound to support these organizations with supportive policies and regulations (Moussa *et al.*, 2018).

Similarly, it is agreed that, the influence of BDS to MSMEs is determined by the pathways through which they provide their services and their capacity to address constraints to a given business (FAO, 2014). Service delivery pathways are methods, strategies, approaches or techniques that an instructor employs to deliver his/her subject matter of a lesson or products in terms of inputs to the learners (Nwafor, 2007). Therefore, the right selection of delivery pathways and cost recovery strategies are essential for effective BDS delivery and increasing knowledge, which boost innovation among MSMEs (Vijayabanu and Amudha, 2012; Graversgaard *et al.*, 2017). However, the choice of appropriate BDS delivery pathways remains to be a significant difficulty in most BDS providers since it calls for a wide range of effective methods and solutions for MSMEs needs (Owens *et al.*, 2006; Ayana *et al.*, 2018). According to empirical literature, there is no single comprehensive pathway that is likely to be successful in delivering BDS to MSMEs in all circumstance (WHO, 2018). This is because MSME have different characteristics that can moderate the choice of support, delivery methods and payment for service (Jayawarna *et al.*, 2007).

Different researchers have studied challenges facing BDS providers concerning BDS delivery pathways to their clients. Goyal *et al.* (2018) argue that institutions supporting SMEs face dilemma regarding choice of BDS delivery pathways. Similarly, McAlpine (2014) and Parakala *et al.* (2012) identified geographical spatial distribution of SMEs as a challenge in choice of BDS delivery methods. Others have investigated the effectiveness of various service delivery methods (Yunchen *et al.*, 2013; Khatun, 2015) and concluded that there is a positive link between service delivery methods and MSMEs. However, there are conflicting views on the standard BDS delivery pathways, and there is no consensus among implementers on the appropriate BDS delivery pathway (Pooe and Mafini, 2012; Ulate *et al.*, 2018; WHO, 2018). Likewise, the same situation is facing the GoT, despite the fact that it has offered strategic direction and policy in terms of MSMEs development from time to time, yet currently there are no clear, consistent and focused delivery pathways for available BDS providers across the country. Hence this raises challenges in moderating and monitoring of the BDS providers (OECD, 2018) Therefore, it becomes imperative to understand BDS providers' BDS delivery pathways and their effect on MSMEs.

Furthermore, according to Absorptive Capacity (AC) which originates from the work of Cohen and Levinthal (1999). AC plays a key role in determining firms' ability to access and use of external knowledge (Zahra and George, 2002). AC is defined as a firm's capacity to acquire, assimilate, transform, and exploit external knowledge (Zahra and George, 2002). Therefore, MSMEs absorptive capacity is regarded as an important factor in both corporate innovation and general competitive advantage (Easterby-Smith *et al.*, 2008). MSMEs acquire knowledge from various external sources for their development, including customers, suppliers, governments, BDS providers and industry associations (Flores *et al.*, 2018; Land and Oltra, 2013). The capability of such sources to deliver BDS

can contribute to varying degrees of influence on performance of MSMEs. (Flor and Oltra., 2013). Likewise, the ability of MSMEs to access knowledge depend on a wide range of factors, including the sector, level of technology and size of the firm (Rodriguez *et al.*, 2017; Pierre and Fernandez, 2018).

In this view, MSMEs accessing and finding the knowledge is often random; therefore MSMEs need capacity to identify relevant knowledge for their needs (Apriliyanti and Alon, 2017). Absorptive capacity determines MSMEs' ability to locate new ideas and to incorporate them as a major contributor to organizational performance (Cohen and Levinthal, 1999; Zahra and George, 2002). Nevertheless, in order to produce commercialize products and services successfully, MSMEs must manage the capacity to acquire, interpret and apply knowledge embodied in external organizations including BDS (Apriliyanti and Alon, 2017). Absorptive capacity enables MSMEs to master and implement the design and production of goods, processes and services that are new to them, irrespective of whether they are new to their opponents, their country, or the world (World Bank, 2006). Nevertheless, there is no consensus among researchers on how this process takes place within MSMEs (Muscio, 2014). Specifically, there is scanty documentation on the ability of MSMEs to access and utilize BDS in Tanzania. Understanding of this ability is important for BDS providers in the development and the choice of delivery pathways. Therefore, it was worth undertaking this study to come up with empirical findings on the ability of MSMEs to acquire and utilize BDS in the study area.

1.3 Problem Statement

The ability to produce new products, services and processes in the market is an important driver for MSMEs competitiveness in challenging and global markets. To become

competitive, MSMEs are obliged to access and utilize various business development services (BDS). Although this responsibility lies upon MSMEs themselves, so far it is expected that BDS providers deliver BDS. This is due to the fact that most MSMEs lack capability and adequate resources to develop their businesses (URT, 2006; DFID, 2014). In addressing this shortfall, several BDS providers have been established by the Government of Tanzania (GoT) and has continued to support them in various ways for instance by the provision of infrastructure, capacity building, finance, among others (URT, 2002).

Despite the significant number of years of BDS providers geared to address MSMEs challenges in Tanzania, MSMEs performance continues to deteriorate. According to a URT (2002) report, MSMEs that closed businesses were 31.4% in Dar es Salaam City, 24.9% in other urban centres, 13.6% in rural areas, and 55.5% in Zanzibar, and on average 18.1%. The indication however, is that the MSMEs are not performing well which means that the various interventions employed by the government including BDS have not yielded satisfactory results (URT, 2015).

Similarly, studies from other countries on BDS and MSMEs have revealed unsatisfactory results. For instance, according to European Union Economy, MSMEs have not considerably lowered poverty rates (Gray and Jones, 2016). Similar findings were noted for MSMEs in Malaysia, where there is a rapid rise in the number of MSMEs, but poverty rates are rising (Government of Malaysia, 2016). A study on incubators for businesses in Kenya suggested that, in order to facilitate marketing throughout the nation, access to marketing BDS should be enhanced (Meru and Struwig, 2015). These studies illustrate low efficiency and weak ability of MSMEs to transform economic opportunities into strong life-sustaining capabilities, which might reflect a weak capacity of BDS providers

to support them. It was suggested that there is a sign that regardless of their great aims, BDS providers experience "thread execution," either as a result of their inefficiency, or the inability to develop effective BDS for MSMEs (Berry *et al.*, 2002).

Therefore, this study hypothesizes that; the limited growth of MSMEs could be explained by incapability of BDS providers in terms of resources and service delivery pathways. This is a critical challenge for the Tanzanian government and has significant effects on the economy. This is because MSMEs are not creating sustainable jobs, which results in a declining tax base and weak economic growth (Friedrich, 2016).

Therefore, this study examined the capability of BDS providers in service delivery with a focus on BDS provider's resources, service delivery pathways and the ability of MSMEs to access and use delivered BDS.

1.4 Justification of the Research

Previous efforts to address MSMEs challenges and BDS focused mainly on performance (Mori, 2015; Babajide, 2017; Ombi *et al.*, 2018), BDS impact and sustainability (Chase, 2013; Otieno *et al.*, 2013). Others (Liao *et al.*, 2007; Ekboir, 2012; Seelos and Mair, 2012) focused on capability of non-BDS provider organizations.

One common observation from the above mentioned studies is that BDS providers have an instrumental role to play in the development of MSMEs. Thus, this study broadens the understanding on capabilities of BDS providers in services delivery. The findings are instrumental in guiding future formulation of BDS providers' institutions for supporting and development of MSMEs. It is also vital for policy makers in guiding planning and implementation of activities aimed at addressing MSMEs challenges.

The study addressed the Sustainable Development Goal (SDG) number 9. To meet this objective, there must be an effort in development of MSMEs' ability to compete. The study is also in line with Tanzania's Second Five Year Development Plan (FYDP II) that aimed at boosting industrialization in which MSMEs are an important key component towards that target. The study also provides some empirical insights on the areas of focus and or future improvement to the MSMEs policy of 2003 particularly on the business development service standards and guidelines for service provision; such aspects are currently inadequately addressed. It is from the basis of this ground, therefore, that this study was conducted.

1.5 Objectives of the Research

1.5.1 Overall objective

The overall objective of the study was to assess capabilities of business development service providers in service delivery to micro, small and medium enterprises.

1.5.2 Specific objectives

- i. To examine the effects of business development service providers' resources endowment on service delivery to performance of MSMEs.
- ii. To assess business development services delivery pathways and their effects on performance of MSMEs.
- iii. To determine absorptive capacity of MSMEs in acquisition and utilization of BDS.

1.5.3 Research questions

- i. How do resources endowments of BDS providers affect service delivery to MSMEs?
- ii. What are the delivery pathways and their effects on the performance of MSMEs?

- iii. Do SMEs have the absorptive capacity and ability to acquire and utilize BDS providers' services?

1.6 Theoretical Framework

The study drew theoretical insights from six (6) theories, namely Resource Based View (RBV), Knowledge Management (KM), Service Marketing (SM) and Relationship Marketing (RM), Absorptive Capacity (AC) and System Theory (ST). Multiple theories were used because the study aimed at capturing various key capabilities and attributes namely resources and service delivery pathways. Therefore, there was no one theory that could accommodate all the aspects. The choice of multiple bodies of theories has a clear rationale. They are used to link service delivery with capabilities of service providers, pathways used to deliver services and absorptive capacity of MSMEs.

Resources Based View Theory (RBV) which emerged from the work of Barney (1986) is currently the dominant theory that explains inter-firm performance disparities (Hoopes *et al.*, 2003). The definition of organization resources is "All assets, competencies, processes, attributes, information, knowledge, controlled and enable firms accomplish its goal (Conner and Prahalad, 1996; Peteraf, 1993). Each firm develops its strengths around resources that are valuable, unique, and difficult to replicate (Barney, 1991). In order to achieve superior performance firms organize their activities and resources in a manner that the market cannot replicate, leading to superior performance (Barney *et al.*, 2001).

The RBV was found to be the most suitable theory to explain organizational resources. The RBV was used to examine capability of resources endowment of BDS providers. The RBV focuses on resources and organizational capability. It suggests that, if an organization possesses adequate, capable and unique resources, then it can influence its

capability to perform its activities (Friedrich, 2016). The study used this theory to establish—capabilities of BDS providers’ resources and their strength in influencing capability of their organizations to deliver services. It also established relationships which existed between resources endowment of BDS providers and their effects on SMEs outputs.

From the work of Prusak (2001) Knowledge management (KM) theory asserts that knowledge can be utilized under different forms and integrated by various resources in production process without decreasing its value. The KM theory also posits that knowledge can be used as a powerful source to gain sustainable competitive advantage especially for organizations since it offers an effective mechanism for sharing information among employees and clients and it has unique features for each firm (Harzing *et al.*, 2016).

The study applied the KM as a key factor that supports BDS providers in integration of resources and links them with others within and outside their organizations. Therefore, ability to use knowledge requires resources which support service providers to put ideas into practice.

The Service Marketing theory, Relationship marketing theory (RM) which were proposed by American marketing scholars Berney (1986) and Jayawarna *et al.* (2007) argued that the field of service marketing is promotion activity for enterprises to obtain, maintain and promote effective relationship with clients and it increases customers loyalty (Gao *et al.*, 2005). This theory was applied to the second objective forming the second manuscript. Service Marketing theory emphasizes on service production, pricing, and distribution. The marketing concept begins with the process of identifying the needs of the market they

want to serve and segmenting it potentially and profitably to meet the needs of clients. Effective service delivery occurs when the need is known, and development of relevant service is done. The process is crucial because it helps in planning for marketing mix such as pricing, type of service to provide, promotions strategies and delivery pathways. In this study the theory was used to identify BDS development process undertaken by BDS providers. The theory emphasized on the necessity of BDS providers to involve SMEs in needs identification process and segmentation of groups of SMEs they want to serve based on their ability to pay for the services.

The Relationship Marketing Theory; philosophy is to keep the market competition and long-term profitability strong by retaining customers who are already familiar with the firm. RM is focused on enhancing customer loyalty and satisfaction. Thus, this enhanced client integrity is entirely central, as reflected in the client's intention to buy repeatedly, increase procurement and recommend suppliers to others (Eklof and Westlund, 1998; Gorst, 1998). These customer behaviours will result in increased profits (Hallowell, 1996). The theory argues that consumers' experience and satisfaction with the service are an outcome of an interactive relationship between the two, service provider and consumer. The theory was used to assess various interactions in development and delivery of BDS. Likewise, Absorptive capacity (AC) has emerged as a concept of Cohen and Levinthal in 1999 and Zahra and George (2002) extended the theory by specifying four distinct dimensions of absorptive capacity: acquisition, assimilation, transformation and exploitation that links dynamic capabilities and organizational learning (Teece *et al.*, 1997; Zollo and Winter, 2002). Absorptive stresses on competence of organizations to recognize the value of new external information, access and use it for commercial purposes (Cohen and Levinthal, 1999). Theoretical insight from this theory was used to examine capacity of SMEs resources and establish absorptive capacity process in MSMEs

in accessing and utilizing BDS from various providers. On the other hand, this study used the absorptive capacity theory to explain how MSMEs, through their process of accessing and using BDS, can benefit from acquired knowledge. Absorptive capacity facilitates knowledge accumulation and its subsequent use. Thus, this ability to access and use new external knowledge, regarded as BDS in this study, is critical and depends mainly on prior knowledge level (human capital), since it is this knowledge that will facilitate the identification and processing of new acquired knowledge.

The System Theory focuses on organization interaction with its external surroundings to access various inputs in terms of resources or knowledge for its development and growth. According to the founder of this theory Von (1956), a system is a collection of interconnected components. According to this theory, firms that can access and use information in their particular surroundings are better equipped to adapt to changes in their environment. The system includes resources, interaction with surroundings and effect on organization. This study applied the theory to identify MSMEs' resources and their capacity to interact with external environment for support. MSMEs are seen as a system built by various resources from within and from their surroundings. As any other system, they are faced with uncertainties and challenges; therefore they need various resources and information from the surrounding to combat them.

1.7 The Conceptual Framework (CF)

As shown in Figure 1.1, Capability of organization to deliver services depends on the strength of resources endowed. Human capital of organisation is one of the key resources and KM is an empowering agents. The critical portion of the knowledge and skills required for service delivery resides within employees is useful in interaction and combining other resources (Lee and Lee 2013). The process through which a BDS

provider coordinates and deploys these resources will eventually affect its capability to delivery services to MSMEs (Arbab *et al.*, 2014). Knowledgeable employees are important in acquiring, planning and integrating other resources, for optimal usage in services delivery to MSMEs. Similarly, networking supports BDS providers in grasping desired resources from other organizations to complement scarce resources such as information and knowledge to deal with MSMEs identified needs. Therefore, this paper assumes that, if BDS providers have high interaction to 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 delivery effective services to their MSMEs. Likewise, an information system which is composed of hardware, software, mobile device, data and procedures is essential in development, processing, dissemination and storing clients' information.

Although there are numerous service delivery pathways, the right selection of an appropriate pathway is essential for effective service delivery (Vijayabanu and Amudha, 2012). Furthermore, BDS providers need to adopt a pathway which is convenient and relevant for the learner, cost effective and motivational in helping MSMEs transfer skills and knowledge to the work environment (Salehi, 2009). This implies that BDS providers need to know the absorptive capacity of MSMEs in terms of the level of (education, awareness, experience and capital) before the development and delivery of BDS. Accordingly, the effectiveness of a particular pathway depends upon the characteristics of the MSMEs as well as service delivered (Salehi *et al.*, 2009). Therefore, BDS providers should consider these characteristics while adopting a particular pathway. This is because,

the choice of relevant service delivery pathway influence capability of BDS provider to delivery effective BDS which will impact MSMEs performance. Therefore, capable BDS resources, relevant service delivery pathway and known MSMEs absorptive capacity, influence capability of BDS providers to develop and delivery relevant packages of BDS which will influence MSMEs performance. Performance is referred to as how well an organization achieves its objectives (Kotane and Kuzmina, 2016). It is measured in both quantitative and qualitative terms, and it is achieved through the efforts of employees and firm management (Zehir *et al.*, 2016). Thus, this study adopted qualitative term to measure MSMEs performance in order to adapt to the changes both internal and external environments (Rosli and Sidek, 2013). In addition, performance of MSMEs is an outcome of capability of BDS provider.

Likewise, MSMEs are viewed as a system which interacts with the environment to access a variety of knowledge. In orders to access knowledge from the surrounding environment, they need to have high absorptive capacity as an effective means to access and utilize the knowledge. Accordingly, access to and utilization of BDS increases creativity and innovation capacity to foster their performance (Zahra and George, 2002).

Consequently, in the context of this study, MSMEs performance is influenced by BDS providers interaction of different resources namely information system, networking and physical resources through human resource. Additionally, attributes of service delivery pathways such as the type of service, cost, and involvement of MSMEs are also assumed to influence capability of BDS as they influence the performance of MSMEs. In contrast, BDS resources and service delivery pathways may be affected by absorptive capacity of MSMEs to access and use BDS if not taken in consideration during BDS development and delivery.

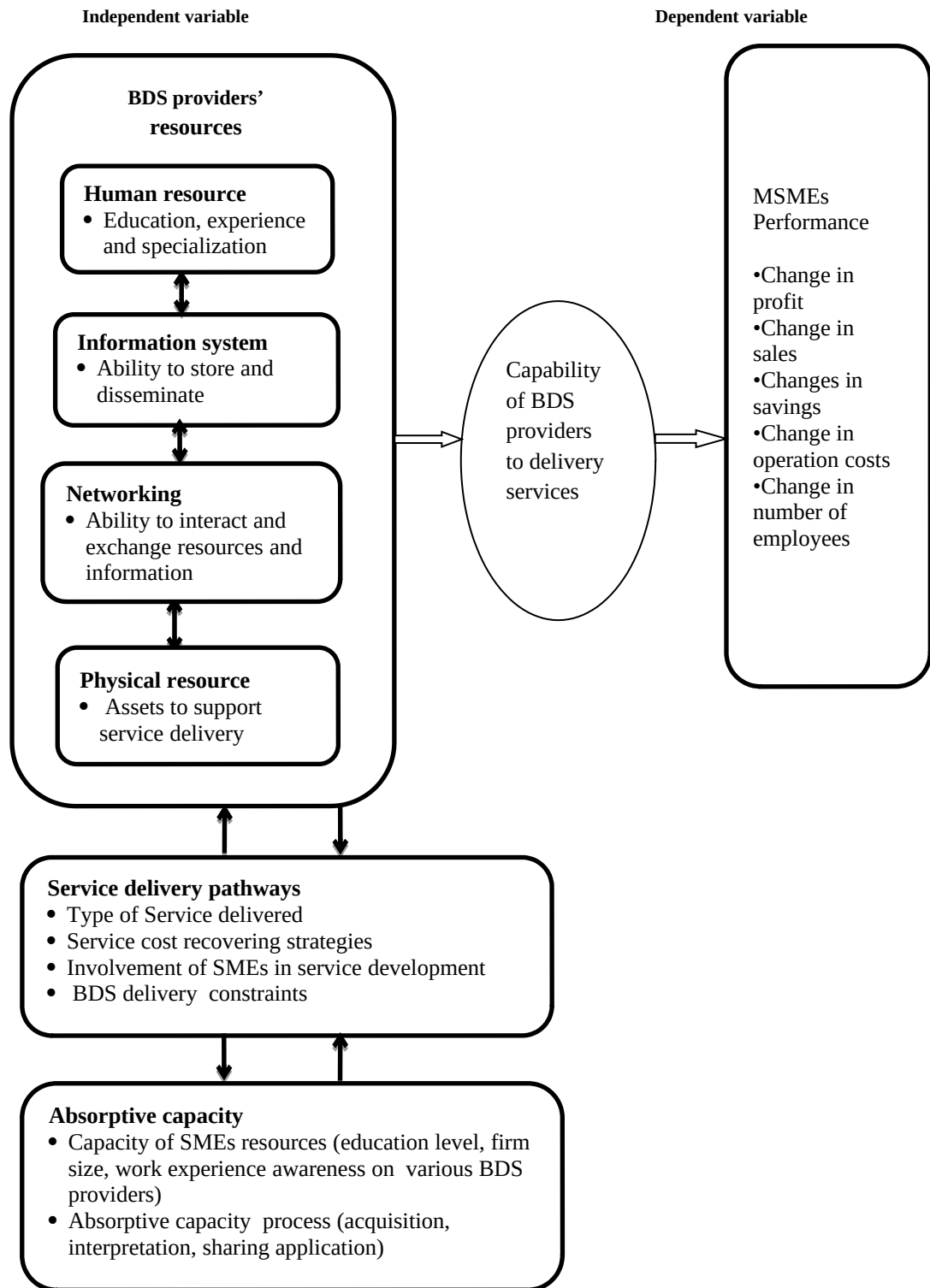


Figure 1.1: The CF Summarizing Relationships between BDS providers' resources and BDS delivery to MSMEs

Source: Researcher's Own Construct

1.8 General Methodology

1.8.1 Description of the research area

The study was conducted in Arusha City and Moshi Municipality, Northern Tanzania. The two are urban areas with many enterprises after Dar es Salaam 1550, Mara 561 Morogoro and Mwanza (URT, 2016). They are characterized as fast growing urban areas complemented by other human activities such as farming, livestock keeping and tourism (Pasape, 2018).

Moshi Municipality is the headquarters of Kilimanjaro Region, and it has a population of 184 292 people according to Tanzania's 2012 population and housing census (URT, 2013). The area hosts several tourism programmes, and serves as a base for many expeditions for climbing Mountain Kilimanjaro. The town is one of the tourist centres regarded as an important source of employment. Moshi is not a principal industrial area in Tanzania compared to Dar es Salaam or Mwanza, but provides raw materials, hence this has attracted some industries such as Coca-Cola Bottlers (BONITE), Sugar production facility Tanzania P Company (TPC), Coffee Curing factory and medium and small manufacturing and processing facilities in food packaging, animal feeds and dairy (Msoka and Gabriel, 2010).

Arusha City has a population of 416 442 inhabitants (Kijazi and Reason, 2009; URT, 2013). Arusha City population depends on commerce, industries, tourism and small and large-scale farming. These businesses contribute significantly to the GDP of Arusha City. For instance, 52% of employed people are in business operations; 14% are employed in office work; 17% are in elementary occupations; 19% are in agriculture while the remaining 6% are in plant operation assembly (URT, 2015). The city is home to more than fifty large and medium size manufacturing industries including Tanzania Breweries

Ltd., Sun flag, Tanzania Pharmaceutical Industries (TPI), A to Z (Treated mosquito net National Milling Corporation (Mills and Silos), Arusha Meat Company, CARMATEC, ABB Tanalec and about 200 more small scale industries. Commerce and Trade is among the major pre-occupations of the people of Arusha City. Additionally, the City is the largest commercial centre in Northern East Tanzania where both local and imported goods and services are sold and bought. The area is also an international tourism centre in the Northern part of Tanzania. It also serves as a registered transit point for tourists heading to Tanzania's National Parks and to the highest mountain in Africa (The Kilimanjaro). It links to international destinations through Kilimanjaro International Airport. Arusha International Conference Centre also is situated in the area as a generator of conference tourism and hosts international, regional and conferences/meetings, Arusha City, Five Years Strategic Plan, 2016/2017 – 2020/2021 (URT, 2015).

Additionally, the two study areas are sources of communication link through roads and air services with neighbouring countries such as Kenya and Uganda. The areas are connected with a highway from Dar es Salaam, Moshi, and Arusha to Kenya via Namanga boarder. The Kilimanjaro International Airport, which is situated between Arusha City and Moshi Municipality, serves as a gate-way to many small towns within Tanzania. These communication networks in the study area have promoted the development of business enterprises in the area and links the areas to other regions, particularly Manyara, Dodoma, Singida, Tabora, Shinyanga, Mwanza, Mara and Iringa (URT, 2015).

These activities have resulted to high urban migration, rapid growth, expansion of the areas and increased demand for services provided by MSMEs such as inputs needed for production, manufacturing and service provision. The concentration of MSMEs in the

area has attracted demand for BDS providers' services which support development and growth of SMEs (Pasape, 2018).

1.8.2 Study population

The study population included BDS providers and MSMEs operating in study area. The focus was mainly on BDS providers, who provide non-financial BDS to MSMEs. The rationale for focusing on the BDS providers is that, unlike other sources of support, they are the ones that are mandated by the law to reinstate vibrant and competitive MSMEs in the country (URT, 2013). Some of the public organizations have also been receiving direct financial support and qualified workforce from the government aiming at strengthening SMEs in Tanzania.

Thus, BDS providers Chief Executive Officers (CEOs) were the unit of analysis for this study. A total of 65 BDS providers, 24 categorized as public and 41 as private were involved in the study. The rationale for including public and private BDS providers is that the study aimed at capturing various information and experience from all the BDS providers operating in the study areas on the basis of their prime functions.

MSMEs were the second group of analysis for the study. A total of 254 MSMEs respondents; categorized as micro, small and medium; were the second group of unit of analysis. The reasoning behind combining these categories was to obtain information from all categories and to avoid information biasness but also for comparison purposes.

1.8.3 Research design

The study used a mixed methods approach whereby both qualitative and quantitative data were collected. The rationale of using these approaches was to take advantage of merits of

both research approaches (Creswell, 2009). The qualitative philosophy considers meanings, perceptions, actions and experiences of an actor in a social context, due to in-depth examination of phenomena (Bailey, 1994; Lichtman, 2013). Therefore, qualitative approach was considered vital for such type of data with regard to perceptions and experiences of BDS providers and MSMEs, among other things. However, since some data were more quantifiable, including capabilities issues such as resources, the use of quantitative approach was equally crucial. Accordingly, quantitative approach was also used to quantify qualitative information which was collected using Likert scale measurements, frequencies and percentages.

The study employed a cross-sectional research design which involves collection of data on all variables only once from any given sample of population and at a given point in time (Amin, 2005; Kothari, 2004). This design was used because the data were gathered from the respondents who were regarded to represent the existing situation at the time of the study (Bailey, 1994). Importantly, the design allows collection of both qualitative and quantitative data in a short period of time and is suitable for descriptive analysis (Kesmodel, 2018).

1.8.4 Sample size and selection methods

The sampling process was carried out through multistage sampling procedure. In this regard simple random sampling and purposive sampling methods were used. The regions Kilimanjaro and Arusha were selected purposively. In this regard, stage one involved selection of two distinct councils namely Arusha City and the other Moshi Municipality. In order to include BDS providers, purposive sampling was employed during the second stage to select and draw out the sample size of 65 KIIs from a total population of 76 service providers. The criteria for selection of the KIIs were being regarded as having

wide knowledge in management of BDS firms from experience of providing such services within that period of time. Similarly, purposive sampling was used to obtain participants in MSMEs Focus Group Discussion (FDG). Two FGDs were held for each type of enterprises categorized as micro, small and medium. Each FGD comprised 6-8 participants. A total sample size of 319 participants (65 BDS providers and 254 MSMEs) from the two sites was involved, which is good as it was bigger than 30, proposed by Bailey (1994) to be the minimum sample size for statistical data analysis, regardless of the population size. Thus, the sample size of 391 participants was appropriate. To collect quantitative data, simple random sampling technique was employed to get 254 MSMEs owners/ managers from the total population of 696 MSMEs.

1.8.5 Data collection

Both primary and secondary data were collected, and both qualitative and quantitative data were collected as explained in the following sub-sections.

1.8.5.1 Primary data collection

Qualitative primary data were collected through Key Informant Interview (KII) using an in-depth interviews guide and focus group discussions (FGDs). The primary qualitative data that were collected included characteristics of BDS providers, types of resources endowed and their functions in service delivery, service delivery pathways used and challenges faced in delivering services. It was crucial to collect information from KIIs to obtain broad understanding on issues related to their organization activities and their relationships with MSMEs. Focus group discussions were held in both selected study areas, with each category of MSMEs (micro, small and medium). FGD was used to gain an in-depth understanding of issues related with use of BDS (Barbour, 2014). A checklist

of items for discussion was used to guide focus group discussions (Appendix 3). The data collected in FGDs included accessibility to SME, interpretation and utilization of BDS.

For primary data collection, the study also used direct observation since it was important for strengthening and complementing both the qualitative and quantitative primary data that were collected. MSMEs surveys were conducted to explore the extent to which SMEs were knowledgeable with BDS providers operations. Quantitative primary data were collected using a questionnaire with a five-point Likert scale to capture the perception of MSMEs on capability of BDS providers and outcomes of BDS provided in such a way that a respondent had to agree or disagree with statements on whether services delivered were viable. The use of quantitative approach was crucial for computation of frequencies and percentages.

1.8.5.2 Secondary data collection

Secondary data and information were collected for triangulation purposes from BDS providers' offices by reviewing different internal documents including reports, staff curriculum vitae, training materials, human resource documents, job description, work plan and other relevant materials for this study regarding operations of BDS providers. Secondary data were useful in this study as they supplemented primary data.

1.9 Data Analysis

The qualitative data that were collected through KIIs and FGD were analysed using content analysis based on thematic areas and objectives. The identified key information and themes were discussed in detailed with some quotations in reporting striking arguments provided by the key informant interviewees and focus group discussants as recommended by Creswell (2009). In this regard, the recorded components of discussion

with the respondents were broken down into small units of information or themes to synthesize meaning, values and attitudes. Themes were transformed into counts in order to validate quantitative and qualitative findings. Quantitative data were analysed by using Statistical Package for Social Sciences (SPSS) for windows version 20.0 whereby frequency distributions were employed to quantify the responses given by the respondents.

1.10 Ratings on Some Key Aspects

A Likert scale was used to gauge participants' responses regarding BDS providers' capability in delivering BDS. Differing ratings from different study groups of the same categories of SMEs were harmonized using validation meetings which were attended by representatives of participants from all the studied groups. The criteria for rating the BDS providers' capability on status were established after study instruments pre-testing which were thereafter customized to all the studied organizations. The criteria for measuring BDS capabilities were adopted from Barney (1991) and Bengesi and Le Roux (2014). The criteria were elaborated, discussed and agreed upon by study participants prior to using them for actual rating.

1.11 Ethical Considerations

Research ethics is a guiding principle for self-regulation in decision-making and defining professions. By establishing codes of ethics, professional organizations maintain the integrity of the profession, determine the expected behaviour of members, and protect the well-being of subjects and clients (Kothari, 2004; Creswell, 2009; Resnik, 2012). In light of this, researchers need to consider their ethical responsibilities to participants. Therefore, as social science research involves collection of data from people, one must adhere to codes of ethics and professional conduct in order to protect the rights of

participants and increase the credibility of the results. Ethical issues can arise in the process of requesting, recording and using data from respondents. These include obtaining permission to access the organization intended for research, ensuring voluntary participation, informed consent and confidentiality (Kvale and Brinkmann, 2009).

In this study, ethical issues were given high priority in the sense that necessary information was obtained with the consent of the respondents. With regard to obtaining permission to access the research areas, the researcher obtained a permission letter from Sokoine University of Agriculture. This greatly facilitated acceptance from authorities in the study areas. Participants were given clear explanations about the study, their expected roles and benefits of the study. This was seen as an important step in building respondents' trust on the use of the information they provided.

In addition, privacy as well as anonymity of each respondent was highly taken into account to ensure that they were free to express their opinions and feelings. It was also important to ensure that after completing the study, stakeholders were given feedback on the outcome of the study.

1.12 Limitations of Study and Future Direction

Certain limitations of the present study should be considered. First, there is no widely accepted standard for BDS providers or mechanism for measuring their capabilities. Most discussions of capabilities involve general concepts rather than practical measures and do not consider the organization size and motive for establishment. Another limitation of the study is that the definition of organizational capabilities does not distinguish between high capabilities and low capabilities. The researcher had to adopt globally capability applied measurements to fit local BDS providers' settings.

This, however, calls for future research on capabilities of BDS providers and more specific on measurement of their capabilities. Future studies should create capability measuring mechanisms for BDS providers. Availability of capability measurement will help to increase further the validity of the findings.

1.13 Organization of the Thesis

This thesis is organised in three publishable manuscripts which are presented as chapters. The whole thesis is organised in five chapters and opens up by presenting an introduction as chapter one. This sets background information to the thesis, study objectives, theoretical review and the general study methodology and also provides ethical considerations of the study. Chapter two presents manuscript number one that focuses on resources endowed BDS providers in delivering services to MSMEs. It is followed by chapter three, which presents manuscript two which focuses on BDS delivery pathways among service providers. Chapter four presents manuscript number three, which focuses on absorptive capacity of MSMEs to acquire and utilize BDS. In chapter five, the thesis presents a summary of the findings and discussion, integrating all the manuscripts, and finally chapter six general conclusions and recommendations drawn from the findings are given.

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CHAPTER TWO

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

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CHAPTER THREE

3.0 Business Development Services Delivery Pathways and their effects on Performance Micro, Small and Medium Enterprises in Arusha City and Moshi Municipality, Tanzania

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Abstract

The objective of this paper was to determine Business Development Service Providers' (BDSPs) pathways for services delivery to Micro, Small and Medium Enterprises (MSMEs). The study was conducted in Arusha City Council and Moshi Municipality. A total of 65 BDS providers and 254 MSMEs were sampled and cross-section research design was used for this study. Respondents were sampled using purposive sampling and random simple sampling. Data were collected using a questionnaire, focus group discussions (FGDs), observation and documentary reviews. Content analysis was used to analyse qualitative data, and quantitative data were analysed using Statistical Package for

the Social Sciences (SPSS). Results indicated that most of the pathways used by BDS providers in service delivery to MSMEs were passive learning including seminars, trainings and workshops, vocational training, incubators, technical transfer and promotion of appropriate technology, trade fair exhibitions, and consultancy and business information services. However, there were no institutionalized approaches regarding BDS delivery approaches among the studied BDS providers. Similarly, the surveyed BDS providers indicated limited MSMEs involvement in needs assessment, service designing and delivery approaches due to several constraining factors. These constraining factors include inadequate financial resources, lack of coordination and inadequate BDS providers' information and awareness among MSMEs. The study concludes that it is simply not possible to determine which pathway is the most appropriate to follow in delivering services to MSMEs. Therefore, the choice of pathway mostly depends on the focus of the providers delivering BDS. The study recommends that BDS providers need to ensure that BDS delivery pathways are clients oriented by involving them in the whole process of service delivery which includes needs assessment, services designing and delivery. Furthermore, the study recommends to policy makers to advocate for strategies that will facilitate MSMEs involvement in BDS designing and delivery process. Such strategies should include MSMEs capacity building and use of appropriate participation methods. Consequently, there should be strategies which will mitigate the costs and maximize BDS providers' benefits. Likewise, the strategies should focus on improving the levels of MSMEs involvement in BDS delivery process to ensure sustainable MSMEs development.

Key words: Service delivery approaches, involvement, BDSPs, SMEs, pathways

3.1 Introduction

Globally, it is estimated that over 1 billion people are directly benefiting from various services provided by Business Development Service Providers (BDSPs) (ILO, 2012; UNDESA, 2014). Over 80% of businesses in the world are MSMEs, which benefit from various services offered by BDS providers (OECD, 2004; Ayyagari *et al.*, 2011). In Africa, BDSPs is one of the main job providers employing about 20.4 million people (CICOPA, 2017). In Tanzania, about 8 million people benefit either directly or indirectly from different BDS provided by BDS providers in terms of a range of services such as training, marketing information, credit, infrastructure, crops/products value addition, agro-inputs, storage, and employment (Sumelius, 2013; TCDC, 2019). Given BDS providers' organizations contribution to economic growth through development of Micro, Small and Medium Enterprises (MSMEs), governments all over the world, including the Government of Tanzania (GoT), have continued to make efforts to recognize and encourage establishment and growth of MSMEs by improvising policy level initiatives, promoting cluster-based setups as well as facilitating business advice, training and skill-building programmes (Awojide, 2015).

Compared to large-scale firms, MSMEs have relatively limited resources and insufficient knowledge and time to improve their skills (Rajala *et al.*, 2008; Haase, 2015). Therefore, they need additional resources that can help achieve higher performance. Thus, BDS providers play significant roles in development and growth of MSMEs by providing supportive environment to conduct business through provision of Business Development Services (BDS) that are crucial to the entry, survival, productivity, competitiveness and growth of SMEs (OECD, 2018).

In practice, the influence of BDS to MSMEs is determined by the approaches and pathways through which they provide their services and their capacity to address constraints to a given business. BDS providers intending to provide their services to MSMEs have to consider delivery approaches, pathways as well as sustainability. The BDS delivery approach in turn may determine the type, combination and price as well as sustainability of BDS. The right selection of delivery pathways and cost recovery strategies are essential for an effective BDS delivery (Vijayabanu and Amudha, 2012).

Historically, provision of BDS to MSMEs has been popular among donors since the mid-1970s (UNDP, 2004). However, in the 1970s and early 1980s, BDS interventions were generally limited to training and technology, and often involved donors and implementing agencies working directly with MSMEs. In 2001, The Committee of Donor Agencies for Small Enterprises Development known as the Donor Committee extended the range of these services to financial and non-financial services, and expanded markets to include counselling, market access, networking and clustering provision of information in a variety of areas, such as equipment, technology and markets as well as physical facilities and shared services (Rakicévić *et al.*, 2016).

During this time, the traditional approach model was applied by the governments and funded by foreign donors (Chambo, 2018). This approach was considered appropriate in many developing countries, and it aimed at providing BDS directly to MSMEs. The BDS were provided to MSMEs free of charge or heavily subsidized. However, over time, it was realized that this traditional approach model had a number of shortcomings in terms of accessibility, sustainability of funded projects, high operating costs, inadequate resources, mismanagement, inadequate human resources capacity and training (Msonganzila, 2013; ICA, 2017).

The challenge in turn resulted into establishment of the BDS market development approach in the mid-1990s to the early 2000s when it became clear to development agencies that, after many years of funding BDS providers compared to microfinance, BDS had yielded disappointing results (Otieno *et al.*, 2013). Thus, establishment of market approach was a step forward in attempting to rectify some of the failures of government-funded programs. The approach focused on stimulating the interactive market from both supply and demand side, whereby subsidies were replaced by payment for BDS. The approach enables MSMEs to choose BDS of their choice and to pay for the service rendered. Under the market development approach, BDS must be demand driven, relevant, participatory and cost-effective (McVay and Miehlebradt, 2001). In addition, BDS should be regarded as commercial services and SMEs that receive them as customers rather than beneficiaries. Furthermore, BDS providers should always charge fees, and these fees should usually be high enough to cover the costs of delivering BDS (Swiss Agency for Development and Cooperation, 2000). In this study, BDS delivery approach is considered as a condition stipulated by Committee of Donors Agency for Small Enterprises (2001) on how to deliver BDS, while BDS delivery pathway is considered as a manner in which BDS providers interact with SMEs to achieve their objectives.

In Tanzania, the Government has initiated establishment of public and private BDS providers to support SMEs (Mole *et al.*, 2009). Despite the fact that the existing BDS providers partially coincide with the roles they play for effective provision of services, all have one objective: the development of MSMEs. The BDS providers are classified into four main categories: i) public, ii) private, iii) NGOs and iv) Co-operatives (Mole *et al.*, 2009). Most of the BDS providers supporting MSMEs are in areas such as business incubation, product quality, market access, infrastructure, accounting, consulting, resource

provision, technical assistance, technology and product development (Parker, 2011; Warner, 2013). However, each BDS provider has its own characteristics and motivations for service provisions. This multi-institutional provisioning mechanism often raises questions about the most appropriate service pathway to recover BDS delivery costs.

Furthermore, the field of BDS delivery continues to change rapidly as methodologies for defining and delivering their services become more sophisticated and more rooted in commercial activities. There are conflicting views on the standard BDS delivery pathways, and there is no consensus on the appropriate strategies to recover service delivery fees, although the importance of the payment principle is widely acknowledged. (Poore and Mafini, 2012; Ulate *et al.*, 2018; WHO, 2018). Likewise, the same situation is facing the GoT, despite the fact that it has offered strategic direction and policy in terms of SMEs development from time to time, but currently there are no clear, consistent and focused delivery pathways and cost recovering strategies for available BDS across the country. Therefore, it becomes imperative to understand BDS providers' pathways and cost recovery strategies for BDS delivery to MSMEs.

Generally, literature acknowledges limited studies about BDS delivery pathways to MSMEs specifically in Africa (Mugobo and Ukpere, 2012; McElwee and Smith, 2014; Pato and Teixeira, 2016). In addressing the existing knowledge gap, this paper was guided by the following questions: What pathways do BDS providers use in BDS delivery to MSMEs? What are the strategies used to recover BDS delivery costs? How do BDS providers involve MSMEs in the process of development of services packages? What challenges do BDS providers encounter in involving MSMEs in delivery of their services? The results from this paper will provide a comprehensive understanding of the pathways employed to deliver BDS to MSMEs, the cost recovery strategies, and MSMEs

involvement in developing BDS packages as well as the challenges encountered in delivering BDS.

The findings from this paper contribute to bridge the existing knowledge gap in literature by shedding light on the BDS delivery pathways and cost recovery strategies employed by BDS providers in delivering services to MSMEs in the study area. Moreover, the findings highlight on the importance of BDS providers to involve MSMEs in the process of developing BDS packages. Likewise, information gathered is expected to help readers and BDS providers get a comprehensive overview of the approaches that are most effective if one is interested in developing and delivering BDS and value to customers. In essence, firms that provide high quality services and meet customer needs provide higher levels of customer satisfaction and loyalty and consequently increase their profitability.

3.2 Theoretical Framework

3.2.1 Theories Underpinning the Paper

This paper is guided by theoretical insights from the service marketing concept and relationship marketing theory. Service marketing emphasizes on service production, pricing, and distribution. The marketing concept begins with the process of identifying the needs of the market they aim to serve and segmenting it potentially and profitably (Zeithaml *et al.*, 2006). Marketing is a social and managerial process whereby individuals obtain what they need by exchanging products and value with others (Kotler and Fox, 1995). In other words, marketing is a process associated with the exchange of goods or services, and the process.

BDS providers should begin the process of BDS delivery by identifying the needs of the SMEs and segmenting the groups they aim to serve based on their capacity to pay for the

services. Determining MSMEs needs, expectations and satisfaction towards services is a starting point for them in designing their marketing-mix strategies. Market segmentation is important because it helps in planning for marketing mix such as pricing, types of services to provide, promotions, strategies and delivery pathways (Kotler and Fox, 1995).

Likewise, relationship marketing is a cooperative relationship between providers and consumers to create superior value for both. The process involves establishing, maintaining, and enhancing relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met (Ibidunni, 2012). Based on these two concepts and descriptions, it is important for BDS providers to establish a good relationship with their customers in various ways such as in development of BDS and service delivery approaches. Involvement of MSMEs in the process of developing and delivering BDS creates interaction which enables them to express and communicate their needs effectively which lead to their satisfaction.

Various scholars have ventured in development of relationship marketing in the business world (Madahi and Sukati, 2012), global business and relationship marketing (Rootman *et al.*, 2011) and relationship marketing and management function (Pembi, 2014). Thus, it becomes imperative to understand how service and relationship marketing contribute to MSMEs' satisfaction with accessibility of BDS. This study argues that if BDS providers effectively involve MSMEs in needs identification, development of BDS and its delivery, documented failure rate of MSMEs will be minimized. Therefore, this justifies the essence of the study on BDS delivery approaches.

3.2.2 BDS delivery pathways

Regardless of substantial contribution of BDS providers in the development of MSMEs, and the latter's contribution to the growth of economies (Batsakis, 2014), existing literature indicates that the choice for appropriate approach and service delivery remains a key challenge as it requires a broad range of successful means and interventions (Mbura and Bambaganya, 2014; Ayana *et al.*, 2018). According to URT (2003), the survival rate of emerging MSMEs is low; below 60% survived in the first years of operation. Olomi (2009) associates this failure with weakness of institutions supporting MSMEs in terms of approaches, methods and nature of support provided as being quite basic, focusing on regulatory and institutional framework rather than on specific MSMEs operational issues.

Different researchers have studied challenges facing BDS providers concerning BDS delivery pathways to their clients. Goyal *et al.* (2018) argue that institutions supporting SMEs face an ethical dilemma regarding segmentation of their clients and BDS delivery pathways. However, what may also be important is an understanding of how specific MSME characteristics can moderate the choice of support, delivery methods and payment for service (Jayawarna *et al.*, 2007). Similarly, McAlpine (2016) and Grimm and Paffhausen (2014) identified geographical spatial distribution of MSMEs as a challenge in choice of BDS delivery methods. Others have investigated the effectiveness of various service delivery methods (Yunchen Huang *et al.*, 2013; Khatun, 2013) and concluded that there is a positive link between service delivery methods and organizational performance.

Depending on prevailing contexts, various organizations supporting MSMEs have been using various service delivery pathways. In some cases, common methods include Business Support Centres and Business Incubator models (Blue Book, 2001; ILO, 2003; UNDP, 2015), embedded Services (CRS, 2015) and The Hub and Spoke approach (Goyal

et al., 2018), face to face such as trainings, workshops, conferences, and seminars (Kroon and Moolman, 1992; Chandler and McEvoy, 2000). Mwasalwiba (2010) noted different innovation methods that are action based for delivering entrepreneurial services, which were classified as passive such as normal lectures, seminars, and project work and active. Other methods involve consultancy and networking (Vissa and Chacar, 2009; Tasnim, 2012; Heyden *et al.*, 2013). Likewise, various studies have indicated BDS cost recovery strategies that have been used around the world to include charging fees for services, embedding charges within transactions, recovering costs from third parties and piggybacking (Chapman *et al.*, 2003; Ginsburg *et al.*, 2012). Cost recovery is about ensuring that the BDS providers' costs are fully recovered for sustainability of their businesses.

Furthermore, according to Salehi *et al.* (2009), the effectiveness of a particular method depends on characteristics of the trainees, the services delivered and costs involved in provision of service. Therefore, service providers should consider characteristics of their clients while adopting a particular service delivery pathway. Given that each client is unique in the way they absorb information and their capacity to purchase given service (Silva and Duarte, 2020), a method should be chosen that is cost-effective and also helps motivate one to learn, retain and transfer what they have learned (UNDP, 2015). A review of the literature revealed inconsistencies for the most effective service delivery pathways. Therefore, it becomes vital to examine BDS providers and BDS delivery pathways.

3.2.3 MSMEs involvement in development of BDS packages

Existing literature on BDS delivery emphasizes on the importance of service providers to involve their customers in development of services (Lynch *et al.*, 2016). Accordingly, customer involvement in product or service development means interaction between

customers and service providers in service designing process (Kaulio, 1998). Participation of customers in service development and delivery process is believed to be a powerful means to reduce uncertainty and failure rates, and it increases revenue from new service (Rohrbeck *et al.*, 2010; He *et al.*, 2014). Customers have latent and an unarticulated need which resides within their firms. Therefore, involving them may force them to indirectly express their needs by proposing services that meet their requirements (Lundkvist and Yakhlef, 2004; Saniuk, 2020). This enables service providers to clearly and proactively respond to customers' needs and wants by launching services that fit their needs (Hoyer *et al.*, 2010). The familiar form of involvement consists of customers providing voluntary feedbacks or recommendations or taking an active role such as contributing financially, intellectually or physically to the development and commercialization of services or technologies (Iruka and Ateke, 2014).

However, some researchers have varying concerns regarding the involvement of customers in service development and delivery. For example, it has been argued that the benefits of incorporating customers in service development process have to be weighed against the costs (Ernst, 2004). Along the same vein, emphasis that customer involvement increases complexity of managing firm objectives and interests of diverse stakeholders (Yip, 2013). However, despite the fact that literature places emphasis on service providers involving their clients in development and delivery of services, there are limited empirical studies which focus on MSMEs involvement in BDS development processes, leading to a better understanding of involvement patterns and challenges faced by service providers' organizations.

3.2.4 Conceptual framework

BDS delivery pathway is determined by MSMEs identified needs and developed BDS packages to address the needs. The process involves at least two parties, whereby BDS providers and MSMEs participate jointly in production of services. In most cases, these parties are not alone, but the surrounding environment as a whole and a number of other actors also influence the process.

In order to realize the value of service, a flow of information is required between BDS providers and MSMEs. The client has to participate in needs identification and clearly describe the nature of needs. The service provider needs to incorporate specialists in project management skills, technical skills, experience and diagnostic skills. Together with this information flow, the service can be collaboratively created. Generally, in service marketing relationship theory, these processes are not seen to be co-created, but empirical evidence regarding service providers, specifically in Knowledge Intensive Business Service (KIBS), shows that the clients often participate even in the designing phase (Aarikka-Stenroos and Jaakkola, 2012). Service delivery pathway is, therefore, influenced by the nature of identified needs, developed solutions, and service providers' resources in terms of technical, economic and organization priority. The effects of these processes will be manifested in SME leveraged value and increased ability to penetrate the market (Figure 3.1).

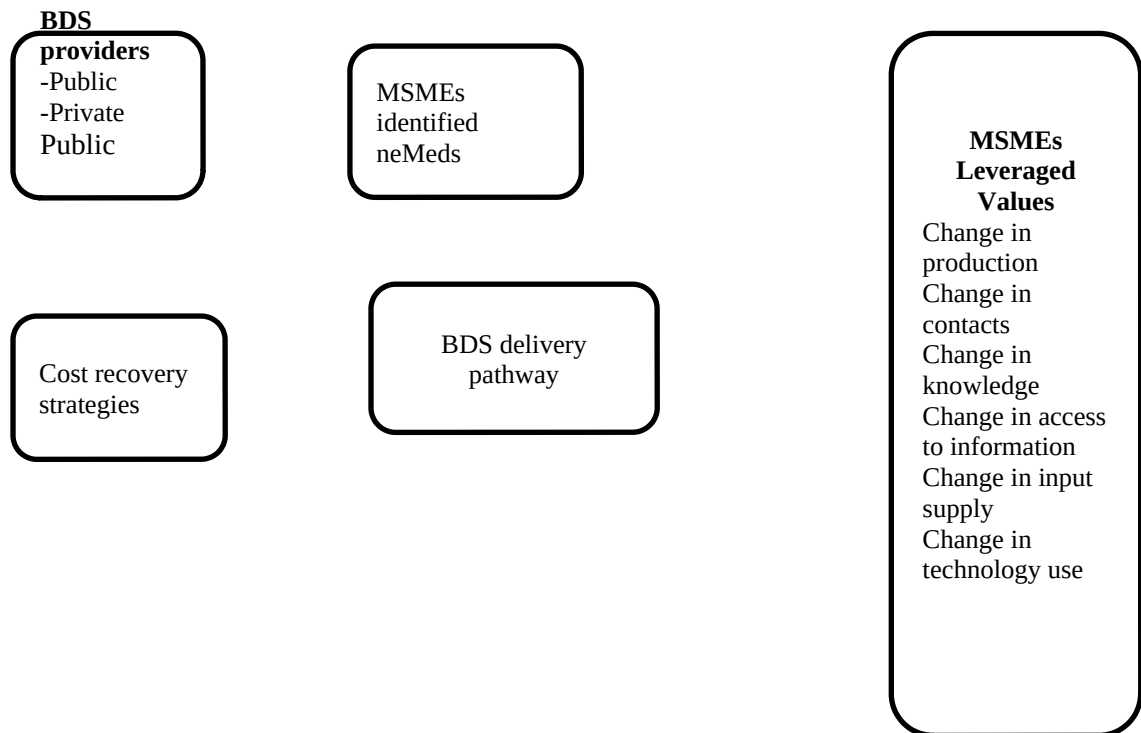


Figure 3.1: BDSP pathway for service delivery to MSMEs

3.3 Methodology

3.3.1 Research area

The study was conducted in Arusha City and Moshi Municipality. As a result of tourism, farming and mining activities, the two towns are categorized as growing commercial towns in Northern Tanzania (NBS, 2001; URT, 2016). These activities are promoted by various supportive transport links including airway, railway and highways which connect the areas with commercial cities such as Dar es Salaam, Dodoma, Mwanza, Mombasa and Nairobi. The presence of these activities have resulted in the establishment of various service support institutions to service businesses in the areas (Pasape, 2018).

3.3.2 Research design

The paper used qualitative and quantitative approaches and employed cross-sectional research design which allows data collection at a single point in time (Pasadeos *et al.*,

2011). The research design was suitable because it allows the researcher to consider numerous characteristics or variables and measure the outcome at once using limited resources for data collection (Setie, 2016).

3.3.3 Study population, sampling procedure and sample size

The study population included BDS providers and MSMEs in the study area. The study targeted non-financial BDS providers' owners or Chief Executive Officers (CEOs) and registered MSMEs as a unit of the 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).

Purposive random sampling technique was used to draw out a sample size of 65 KIIs from a total population of 76 service providers. Simple randomly sampling technique was used to select 254 MSMEs respondents from a total population of 696 MSMEs. Random sampling technique reduces human bias and gives equal chances for every individual in the sampling frame to be included in the study (Saunders *et al.*, 2012; Beaujoin *et al.*, 20118), and enables findings to be generalized. Similarly, simple random sampling strategy was used to get 48 Focus Group Discussion (FGD) participants for both locations (two FGDs for each type of enterprises; micro, small and medium). The formula for calculating sample size proposed by Yamane (1973) was used, whereby 95% confidence level and 0.05 sampling error were applied (Appendix 1 and 2).

3.4 Data Collection Methods

3.4.1 Primary data collection

Primary data were collected through Key Informant Interviews (KIIs). For each BDS providers' organisation, 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). Some of the questions asked included BDS providers' Types of BDS delivered, pathways used in BDS delivery, cost recovery strategies and BDS development process. Data from FGD participants were collected using FGD checklist SMEs surveys were conducted to explore the extent to which SMEs were had benefited with BDS and involvement in BDS development.

3.4.2 Secondary data

For triangulation purposes, different secondary data were reviewed such as internal documents including annual reports, training materials, work plans and other relevant materials for this study. Also, direct observations were made during field visits.

3.5 Data Analysis

Content analysis was used to analyse data obtained from KI interviews and FGD. Data were recorded and transcribed prior to data analysis. Transcription was carefully done in order to maintain the original meaning of the information. Thereafter, data were coded to help identify themes and sub-themes related to BDS providers' service delivery pathways. The information obtained from the MSMEs survey, was analysed using the Statistical Package of Social Science (SPSS) software, for descriptive statistics including frequencies and percentages.

In addition, analysis of desk collected data related to service delivery pathways content analysis technique was employed to analyse the information captured in various documents. This involved several stages, namely reading field reports and other documents such training manuals, identifying themes or categories, comparing different themes to find their similarities and differences and finally interpreting different themes.

3.6 Results and Discussion

3.6.1 Business development service providers' categories

BDS are crucial to the entry, survival, productivity, competitiveness, and growth of SMEs by helping them to solve key challenges in the areas of management and technical skills, access to markets, new or improved technologies and products, and appropriate financing mechanisms (OECD, 2018). This paper assesses the proportion of public BDS providers compared with private ones. As summarized in Table 3.1, it was found that the majority (63.1 %) of BDS providers were private, including Non-Governmental Organizations (NGOs) and Micro Finance Institutions (MFIs), while 36.9% were public service providers.

Table 3.1: Categories of Business Development Service Providers

Type of BDS Provider	Frequency	Percentage
Public	24	36.9
Private	41	63.1
Total	65	100.0

Source: Researcher's own construct

The attributing factor for higher number of private BDS providers compared to public one was the result of the challenges encountered by government in delivering of BDS (Otieno *et al.*, 2013). Therefore, the responsibilities assumed formally by government were handed to private BDS providers (Otieno *et al.*, 2013). Allowing private BDS providers was one of the efforts by the GoT in rectifying former failure for BDS delivery. Other

efforts were reforms which included liberalization of the financial sector leading to establishment of a number of private Micro Finance Institutions (MFIs) which provide financial and non-financial BDS to MSMEs.

Another factor associated with higher numbers of private BDS providers is motivation to make profit which is also facilitated by availability of donors' incentives to support the implementation and expansion of private BDS activities even in difficult to reach rural areas. For example, BRAC is operating in urban areas namely Moshi Municipality, but it has extended its activities to rural and remote areas such as Marangu, Kibosho and Machame. The expansion of services from urban to remote rural areas is supported by some researchers who argue that market oriented BDS providers are for profit making (Davidson and Rowe, 2001). However, despite the availability of a higher number of private BDS providers, their accessibility by MSMEs is minimal because of costs attached to the services. Results from this study are in line with those of a study by OECD (2018) from which it was found that MSMEs cannot afford services provided by private BDS providers. The results are also in line with the argument that a purely market based system can lead to minimal use of BDS and the underperformance of MSMEs (Braidford and Stone, 2016).

3.6.2 Services delivered to MSMEs

The assessment of the services provided by BDS providers was intended to identify the nature and type of services that are delivered to MSMEs in the study areas. The respondents were asked to mention and describe the services they were delivering to MSMEs. The services were then categorized as indicated in Table 3.2. The main reason for identifying the services provided was to relate them with approaches used in their

delivery. It was expected that successful implementation of these services would depend on pathways used to deliver them.

Furthermore, the findings demonstrated that private BDS providers mainly provided market access (80%), input supply (70.8 %) and alternative financing (70.6%) to MSMEs. The fact that private BDS providers use market-based approaches makes them more motivated to deliver their services. Provision of input supply and alternative financing was accompanied with embedded services such as training and inputs such as improved seeds or breed or training and finance. This implies that, before MSMEs are granted loans or inputs by private providers, some supplementary services or training had to be provided to prepare them for acquiring the main services. For instance, it was observed that Ecumenical Church Loan Fund (EGLOF) conducted preparatory training before provision of loans to its clients. However, it was learnt that, in most cases, embedded services were provided to reduce loan defaults rather than addressing specific MSMEs needs.

Moreover, it was observed that there was a significant association with regard to public BDS providers doing better in provision of infrastructure development and policy/advocacy ($p < 0.5$) (Table 3.2). The potential factors that influenced the difference were the roles given by the state to promote local development and economy. The development of infrastructure being one of factors in the promotion of the country's economic development requires large scale funding, a regulatory framework, public policy engineering and institution capacity which is not possible for private organizations to bear because it needs large amount of investment. The effort of the GoT and commitment through implementation of MSME development policy that was aimed at alleviating poverty and improving the MSME sector of 2003 the policy documented

different strategies and roles of the government in development of MSMEs, including development and improvement of infrastructure such as power, water, roads and others (URT, 2003).

Table 3.2: Business development service delivered

BDS Delivered	Public	Private	Chi-square statistics
Training and technical assistance (%)	14(40)	21(60)	0.579
Input supply (%)	7(29.2)	17(70.8)	0.321
Alternative financing (%)	5(29.4)	12(70.6)	0.455
Market access (%)	2(20)	8(80)	0.228
Infrastructure (%)	5(83.3)	1(16.7)	0.011**
Technology and product development (%)	5(31.3)	11(68.8)	0.588
Policy and advocacy (%)	8(100)	0(0.0)	0.000*

*significant at 0.1% ** significant at 5%

Source: Researcher's own construct

These results indicate that public agencies are facilitators of policy formulation, coordination and implementation. At their level, public agencies are responsible for MSMEs registration, licensing, quality control, policy management and facilitation of business logistics. Table 3.3 presents the most prominent public BDS providers in the study areas and various BDS they mostly deliver.

Table 3.3: Major business development services delivered

BDS provider	BDS provided	
	Infrastructure (Basic facilities that act as business foundation- water supply, power generation, storage and warehousing, road, business incubators · telecommunications, network service, internet access secretarial services, etc.)	Policy and advocacy
SIDO	<ul style="list-style-type: none"> • Business incubation • Business premises (power, water) • Credit facilities (Loan) • Telecommunication • Security 	<ul style="list-style-type: none"> • Protect the legal rights of SMEs such as fair competition and fair trade.
CARMATEC	<ul style="list-style-type: none"> • Storage for innovated facilities ground and premises • Business premises,(water, telecommunication) • Production of power (solar) 	<ul style="list-style-type: none"> • Protect SMEs innovation- right to own innovation (in process)
TFDA		<ul style="list-style-type: none"> • Protect legal right of innovation through certification
TBS		<ul style="list-style-type: none"> • Protect SMEs legal rights ; patent, products, services, innovations and inventions, labels
TRA		<ul style="list-style-type: none"> • Offer legal registration • Collection of revenue • Provided tax incentives and directives
TEMDO	<ul style="list-style-type: none"> • Working premise • Storage 	<ul style="list-style-type: none"> • Implement the nation's industrial policies, • industrial regulations • provided tax incentives
LGA	<ul style="list-style-type: none"> • Provision of premises- market, meetings • Water supply- irrigation channels • Road maintenance • Power • Telecommunication 	<ul style="list-style-type: none"> • licensing – legal right to operate • registration- legal right to identity
TaCRI	<ul style="list-style-type: none"> • Practical field • storage facilities – coffee • Water- irrigation 	
VETA	<ul style="list-style-type: none"> • Provision of premise- training • Practical ground – garage , machinery • Storage facilities – for innovation 	<ul style="list-style-type: none"> • Implement vocational training policy

Source: Researcher's own construct

The findings show that various public BDS providers mainly provide infrastructure and policy initiatives, but these services cannot be provided in exactly the same way for the wide range of their targeted customers that include a mixture of MSMEs. This is the reason why support to MSMEs consists of combinations of private business service providers and public sector support. Public BDS providers focus on provision of these

kinds of BDS because they are long lived and capital intensive which is not affordable by private BDS providers (Congressional Research Service (CRS, 2015).

3.7 Business Development Service Delivery Pathways

Results from this study indicate that choice of BDS delivery pathways was influenced by BDS providers' capabilities for sustaining BDS delivery to MSMEs. Furthermore, it was observed that most of the BDS providers delivered BDS directly and independently through various pathways. The pathways used in BDS delivery varied from one BDS provider to another one, based on several reasons such as who initiates such support, available resources and nature of services provided. The common pathways used by BDS providers in BDS delivery in the study sites are presented in subsections 4.2.1 to 4.2.7.

3.7.1 Training, seminars and workshops

Trainings, workshops and seminars are common pathways used by most BDS providers to deliver their services to MSMEs. The findings indicated that both public and private BDS providers used these methods. Some of training sessions were held in appointed local halls and government buildings and in few cases at demonstration sites. In most cases, the approach used was supply-driven, as in what service provider considers valuable for the client. Very few BDSPs conducted needs assessment before service delivery. Most of trainings offered were in the field of project management, financial management and marketing. These trainings developed entrepreneurs' skills to identify, analyse markets value chains and set up their businesses. Each BDS provider developed courses guidelines independently. This indicates that the recipients of the trainings received different knowledge from various BDS providers. This type of BDS delivery pathway has the support of those who recommended lectures, team teaching, group assignments, filed

tours or visits, case studies, problem based learning, seminars or workshops presentations, as research as vast methods of delivering trainings (Mansor and Othaman, 2011).

3.7.2 Incubator

In all visited BDSPs, it is only SIDO that had an incubation programme. This was confirmed by one of the SIDO key informants who shared that:

“We currently have few incubates in the programme. We just provide them with office space and necessary skills for now. We believe that we build the capacities of our clients to grow their businesses” (KII, SIDO, 2017).

In most cases incubation is used to facilitate the relationship between new business and their environment by creating resources such as affordable office space and share administrative services intended to increase survival rates of businesses, while being nurtured by support services (Quin *et al.*, 2010). Incubators stimulate innovation and nurture new firms, creating skilled jobs and income. Incubator provides entrepreneurs with an enabling environment in the start-up stage and helps reduce costs associated with launching an enterprise. SIDO links these SMEs with other support service providers such as Tanzania Bureau of Standards (TBS), Tanzania Revenue Authority (TRA) and Banks. MSMEs are also provided with soft loans and marketing assistance. This method increases confidence of entrepreneurs and links them to specific resources and networks that allow them to scale up their enterprises.

3.7.3 Vocational training

Vocational training service, which is a competence based pathway, was mainly used by VETA to build entrepreneurs' local industrial skills to help them meet the labour market's increasing demand for skilled labour. The education and training acquired equips learners

with practical experience and technical skill to meet economic and market changing demands. This type of training provides appropriate skills to support and develop individuals' ability to generate and exploit opportunities (UNESCO, 2016). It also equips learners with various skills such as carpentry, masonry, auto mechanics, and plumbing, among others. It was observed that this kind of education had helped learners better perform their activities as they acquired job competence. Learners graduating from this institution have more chances of employment as compared to others because they have specialized skills.

3.7.4 Trade fairs exhibition participation

Most of BDS providers such as SIDO, VETA and CAMARTEC provided their clients with trade fair participation opportunities by supporting and sponsoring them with resources such as paying for spaces or outlet and the up keep expenses. This is another approach used by most service providers to support MSMEs to acquire knowledge from various sources such as clients and suppliers. Trade fairs exhibitions are regarded as a marketing platform which enables MSMEs to advertise and sell their products. The MSMEs learn how markets work, and the nature and extent of change in all aspects of marketing. The advantage of this approach is that products are placed on display, technical equipment and machines can be shown in actual operation, and expert technical demonstrations go hand in hand with personal meetings that generate information. Trade fairs also make it easy for companies to evaluate their competitors and exchange information and establish contacts. The use of trade fairs participation has the support of those who argue that trade fairs are a means of achieving sales objectives and making new contacts with buyers (Rayner, 1996).

3.7.5 Consultancy services

Findings from this study indicated that, of the visited BDS providers, it was only very few BDSPs who were providing consultancy services and of those providing consultancy services, were private firms such as BUMACO. The reason for low number of consultancy service providers is that the services are offered with fees. Furthermore, consultancy services are provided upon request from the clients and mostly are demanded by larger companies than MSMEs. Most MSMEs were not aware of this kind of service, and the reason might be that these kinds of service do not target MSMEs due to the costs attached. It was indicated that the reluctance of MSMEs to seek external advice and a particularly strong reluctance was identified among owner managed businesses (Kimathi, 2015). Therefore, this kind of reluctance might be associated with lack of awareness or cost component to the services.

3.7.6 Business information services

Efforts have been made by various BDSPs to provide business information to MSMEs through various modes of transmission such as the main media, the internet and brochures. This information is available at country and regional levels although at times they are incomplete, scattered, inconsistent and difficult to be accessed by MSMEs. Similarly, unavailability of the internet access in some areas within the studied areas and costs associated with the use of the internet was mentioned as one of obstacles associated with lack of accessibility of information. The study observed a low awareness among MSMEs key informants on availability and accessibility of available business information. In absence of this information, MSMEs rely on other media such as radio, television, magazines, and trade fairs to access important information. However, despite the fact that many organizations use technology such as database, internet to deliver information to their clients, it has been proven that technology may not be the most

effective knowledge transfer approach but rather interactions between people (Davenport *et al.*, 1999).

3.7.7 Technology development centres

Existence of public BDS providers such as CAMARTEC, TEMDO and SIDO do assist their clients to design and develop machinery and equipment for agricultural and business activities such as sun driers, mini tractors, grading machines and spare parts, to mention just a few. These activities are conducted at their technical demonstration areas within their office areas. They also offer trainings in the fields of post harvesting technology, biogas installation and use, oil seed processing, food processing, building of low-cost houses, and in some cases innovation spaces are provided which offer skills development. For example, CAMARTEC imparted technical skills to entrepreneurs such as development of solar driers and biogas charcoal stoves. In some cases, entrepreneurs were supported with agricultural tools such as tractors and other tools embedded with information. Small Industries Development Organization also provides spaces especially for start-up businesses and supports them with power, technology, and capital. In support this approach are those as arguing that embedded services are another approach to delivering services when such services are provided for free as part of large commercial transactions between enterprises and service providers (Tanburn, 2004). Accordingly, the appropriate methods to facilitate entrepreneurial training should include real-life activities. It was observed that most of the public BDS providers still used traditional approaches; BDS were provided with highly subsidized costs (Ndhlovu, 2022). This practice was also an observation by those who argued that achieving a sustainable and commercially operating BDS market in Tanzania was still a challenge (Riedijk, 2010).

3.8 Preferred BDS Delivery Pathways

Table 3.4 summarizes the findings on the most preferred BDS delivery approaches by SMEs. Training, seminars and workshop (40%) were the most preferred service delivery approaches, being followed by technical demonstration centres (17%) and trade exhibitions (15.4%), while vocational training was the least mentioned (1.5%).

Table 3.4: Preferred Business development service delivery pathways

Pathway	Frequency	Per cent	Rank
Training ,seminars and workshops	26	40	1
Technical demonstration canterers	11	17	2
Trade fair exhibition	10	15.4	3
Business information center	9	13.8	4
Consultancy	6	9.2	5
Incubators	2	3.1	6
Vocational training	1	1.5	7
Total	65	100	

Source: Researcher's own construct

Overall, it is simply possible to determine preferred pathways but difficult to determine the most appropriate pathway to follow in delivering BDS to MSMEs. In some cases, BDS providers used more than one delivery pathway. Therefore, the choice of service delivery approach depends on the focus on the delivering BDS providers. Even within generic approaches, there are various ways of implementing the institutional arrangements, which can only be determined in line with the project specificities and the local environment. As revealed by the study findings, it is clear that there is lack of harmonized approaches regarding BDS delivery in most of the BDS providers. The visited BDS providers presented different types of guidelines they are using in service delivery. This is because BDS providers vary in ownership, objectives, types of support offered, and resources. The findings imply that each organization worked independently, and there were no deliberate efforts to harmonize the pathways or guidelines to implement and delivery BDS. However, it has been argued that successful service delivery or any

education depends largely on the quality of service provider, which involves knowledge of what service to deliver, how to deliver and when it should be delivered (Ayua, 2017).

3.8.1 Business development service providers cost recovery strategies

Business development service providers use various cost recovery strategies as outlined in Table 3.5. The most preferred cost recovery strategy was fee as about 60% of BDS providers interviewed for this study charged their clients' fees for BDS provided. In some cases, the fee was charged in the form of cash or recovered through registration and certification. In other case, however, the indicated fees were insufficient to cover the actual costs of providing the services. Contribution of MSME in purchasing of materials such as packing materials, machineries (26.1 %) was another strategy applied by BDS providers to recover operation costs.

About 24% of BDS providers embedded BDS in transactions, specifically in trainings and business evaluation while 24% charged fees in terms of interest, whereby costs were recovered from lending income. Among BDS providers who practised this strategy were micro-finances institutions. Service providers charged premises rent (7.7%) and infrastructure, (water, power) bills (7.7%) from MSMEs while (20%) of BDS providers continued to receive government funding (subsidies) to provide BDS to MSMEs. Most of these BDS providers were public owned and mainly focused on policy, technical and infrastructure development and would continue being dependent on government funding for some time, given the weak market for BDS in urban and rural areas. Only 1.5% of BDS providers recovered their costs through tax.

Table 3.5: Business development service providers cost recovery strategies (n = 65)

Strategies	Frequency	Per cent
Fees	39	60
Materials	17	26.1
Embedded	16	24.6
Interest	16	24.6
Subsidies	13	20
Rent	5	7.7
Bills	5	7.7
Tax	1	1.5
Total	65	100.0

Source: Researcher's own construct

The findings of the study (Table 3.6) show that varied cost recovery strategies are used in BDS delivery, but are not exactly specific for any of the BDS delivery approaches reviewed above. Most of BDS providers claimed to use market-based approaches, specifically private BDS providers and micro-finance organizations. The market based approach used by most of BDS providers ensures sustainability of BDS delivered to MSMEs in the study area. The findings are in line with the argument that the involvement of private BDS providers in development of MSMEs ensures continuous supply of inputs for enterprises growth (Mugobo and Ukpere, 2012). Therefore, the results affirm market-based approach and private BDS providers as key considerations for successful BDS delivery process.

While market-oriented approaches are preferable to the traditional approach, policymakers should recognize that the former may only be an option once a certain stage of economic development has been reached. In most developing nations, MSMEs lack capacity to purchase BDS, hence rely on public or subsidized BDS.

Table 3.6: Payment for business development service by MSMEs

Enterprises	Free every time	Paid sometimes/ free sometimes	Paid every time	Total
Micro	60(75.9)*	15(19)	4(5.1)	79(100)
Small	12(15.6)	24(31.1)	41(53.3)	77(100)
Medium	5(9.4)	3(5.7)	45(84.9)	53(100)

*The numbers in brackets are per cents

Source: Researcher's own construct

The findings indicate that the majority of micro enterprises (75.9%) accessed BDP freely. These BDS were mainly in terms of trainings. Medium (84.9 %) and small enterprises (53.3%) paid for BDS received, while only (5.1%) of micro enterprises paid for the services. It was learned that micro and small enterprises were willing to pay for BDS accessed through microfinance organizations because of their strong interest in credit for development of their businesses. Likewise, MSMEs were willing to pay for BDS which are tangible and have short term impact such as agricultural inputs and machinery. The finding suggests that intangibility nature of most BDS involves unforeseen risks. The findings from this study confirm the key argument of the relationship marketing which emphasizes that selling and purchasing of services require trustful relationship between the two parties, BDS providers and MSMEs.

Furthermore, the findings indicate that BDS providers who manage to deliver BDS along with microfinance services tend to have regular clients and earnings. Moreover, the findings indicate that the majority of BDS providers target small and medium enterprises capacity to pay for BDS. The findings are supported by the argument that most of business support organizations and consultants are attracted to serve medium enterprises because of their capacity to purchase their services (Gagel, 2006).

3.8.2 Effects of BDS delivery pathways on MSMEs

Business development services providers seek to enhance MSMEs productivity by increasing entrepreneurs' knowledge and skills, although their delivery pathways depend on the need for learning, resources, cost and time (OECD, 2017). Accordingly many firms are not meeting the needs of their clients, which results in the gap between the required and the acquired skills (Vinesh, 2014). Therefore, examining the influence of BDS providers' delivery pathways provides crucial information for BDS providers to judge the

effectiveness and influence of the pathways they use in delivering their services and the need for improvement. The findings as presented in Table 3.7 illustrate that most MSMEs were impacted differently by BDS delivery pathways.

Table 3.7: Leverage value s of BDS delivery pathways on MSMEs (n = 209)

Statement	Frequency	Per cent
Increased knowledge on how to run business	51	24
Increased understanding on business organization and management	28	13
Increased production and use of technology	29	14
Increased business contacts and networking	6	3
Got legal business certification	6	3
Accessed information and new markets	15	7
Accessed input and loan	53	25
Improved business and income	21	10
Total	209	100

Source: Researcher's own construct

These findings demonstrate the effects of service delivery pathways. It means that MSMEs are able to get value out of provided BDS and their needs are met. These findings are similar to those asserting that the impact of training depends on the most effective training delivery pathway practised (Ali and Mohan, 2019). Performance and growth of recipient firms was not expected in firms which had received training through the least effective delivery pathways (Rapidah *et al.*, 2016). This suggests that the BDS delivery pathways influenced performance of MSMEs. For instance, as presented in Table 3.7, BDS delivery pathways had high effect on ability of MSMEs to access inputs and loans (25%), increased knowledge on how to run business (24%), productive use of technology (14%), business organization and management (13%) and improved business and income (10%). The findings are supported by those who observed various benefits MSMEs get obtain from various BDS delivery pathways such as increased productivity, employment generation, exports and investment (Cravo and Piza, 2016).

3.9 MSMEs Involvement in BDS Development and Delivery

Many organizations have recognized the value of involving customers in development of services. It is important to involve customers to attain their inputs, needs and their solutions. It is argued that customers can criticize existing organizations services, identify market gaps, and express their desire regarding service quality (Alam and Perry, 2002). In assessment of involvement of MSMEs in development of BDS in the study area, it was noted that the majority of the respondents (71.3%) agreed supply driven approach for BDS delivery was predominant (Table 3.8).

Table 3.8: Initiators of Services (n = 209)

Organizations	Frequency	Per cent
BDS providers	149	71.3
SMEs	60	28.7
Total	209	100.0

Source: Researcher's own construct

The choices of BDS delivery pathways and services were mainly determined by their providers' perceptions on the nature of services to be delivered. Little emphasis was given on actual users' needs. Developments of BDS in many cases were based on BDS providers' interest, market niche and policy. This means that BDS development and delivery were carried out to achieve their providers' objectives. About this, one of the KIIs from BRAC said:

“We normally choose service delivery approaches depending on the nature of products we want to deliver to our clients and the available resources” (Key Informant, BRAC, 2017).

This illustrates that the BDS providers use supply driven approach which excludes MSMEs from participating in the process of designing and development of BDS packages, which may result in leaving out some of MSMEs' needs. It was also found that

some BDS were developed based on their providers' interests and criteria with little or no consideration to some of SMEs' needs and ability to use acquired services as it was reported by a KII at EGLOF who shared that:

“We normally design our services and delivery methods as stipulated by our funder and the need of market; this is because it is very difficult to satisfy the needs of every client” (KII, EGLOF, 2017).

The study findings showed that BDS delivery pathways in some cases especially in private BDS providers were developed from experience from other countries where the founder operated the same projects. These services were made available when BDS providers could operate at profit for the market to cover delivery costs. Consequently, there were no determined efforts to carry out needs assessment for the clients. Some BDS providers reported that their market research was primarily informal because of insufficient resources to conduct formal market assessments. However, BDS providers relied on information collected from weekly meetings held with clients which provided them with a good understanding of beneficiary needs. The findings from this study are in line with an argument that many developing countries, particularly in Africa, have tended to strongly use non-participatory strategies in issues related to development as well as inclusive BDS delivery approaches (Ayana *et al.*, 2018). Furthermore, it was observed that supply driven approaches that emphasize on implementation of service providers' objectives were used by most BDS providers engaged in microfinance since their services were aimed at profit making.

Moreover, the study findings established that only few BDS providers involved MSMEs in development of their services or training contents. However, the interviewed MSMEs who had participated in different trainings revealed that none of the BDS providers had consulted them with regard to training needs. Therefore, they complained about most of

the training being repetitive of what they had learnt in the past, since most of the trainings were initiated by the BDS providers. The trainings were delivered at times convenient to the service providers rather than to the entrepreneurs, and in most cases were more formal and classroom based rather than being learning by doing. Among the visited BDS providers, only few such as SIDO, VETA, and CAMARTEC involved their clients in learning by doing trainings. Also, SMEs involved in food processing were highly involved in these kinds of trainings. Failure to conduct needs assessment and involvement of MSMEs in development of services was associated with lack of enough resources in terms of time, finance and human, as one of the KIIs from CAMARTEC shared that:

“It becomes difficult to conduct needs assessments and involvement of our clients because of time constraints and resources, resulting to develop services which we think may meet market demand” (Key informant, CAMARTEC, 2017).

Moreover, Mathieu (2000) argue that BDS pathways should focus on customer needs and expectations and stressed that actual or potential service gaps cannot be bridged without proper consideration of customer needs. Furthermore, Mathieu (2000) argues that when a supplier responds effectively to customer needs, the likelihood of needs gap is minimized. The logic behind this is that a successful service provider develops a service delivery approach that achieves its own organizational goals while fulfilling customer needs. This argument is in line with an argument by Markeset and Kumar (2005) that development of service delivery approaches needs to consider each product’s designed characteristics along with customer special needs, wants, and preferences. Thus, the results from this study are primarily consistent with this observation.

Therefore, MSMEs in the study sites are largely denied effective participation in the processes that they should be guided by and which they are likely to benefit from. The

results also contradict the service marketing theory, which emphasizes on the need for interaction between the supplier and the consumer. Various scholars have emphasized that active engagement of clients in the decision-making process, contributes to achievement of goals (Meslin, 2010; Koontz and Newig, 2014; Newig, 2014). However, it is unlikely that BDS providers will be able to meet the needs and expectations of MSMEs as active participation of SMEs has been minimal. Literature insists that there are more synergies when people analyse a common problem or need together and develop appropriate solutions or approaches that address the identified problem or needs (Chambo, 2010). In this study, however, such synergies did not exist due to existence of incidences where MSMEs were not involved in service needs assessment and some decisions on the service delivery approaches. The findings of this study contradict the theory of service marketing, which emphasizes on identification of customers' needs and involvement. This involvement is necessary for exchange of views and facilitation of acquisition of the necessary skills (Khanin, 2013).

3.10 Challenges to Micro, Small and Medium Enterprises Involvement in BDS

Delivery

Several challenges have been facing BDS providers in the process of service delivery to their clients; the main ones are presented in this section.

3.10.1 Inadequate financial resources

Participation of MSMEs in needs assessment, development of BDS and delivery processes was viewed as an expensive exercise by most BDS providers. It was explained that, it requires a lot of resources to involve MSMEs in the service delivery process.

“...due to limited financial resources, we have not been able to involve SMEs in all stages of BDS development and delivery processes... in fact we end up taking

the go alone approach. We normally visit SMEs and collect information or invite them for consultative meetings” (Key informant interview, ND SACCOS, 2017).

In most cases, MSMEs in such scenarios expect payments or per diems because they normally think the acquired information is for the benefits of the BDS providers, which is the biggest challenge to engage MSMEs. As noted by Tosun (2000) and Hall (2008), community participation in developing country is an expensive process, as it requires time, money and skills to organize and sustain participation. Due to limited financial resources, some BDS providers in the study area have limited resources such as manpower and related equipment such as vehicles to reach out dispersed MSMEs.

The financial problems are more pronounced among public managed BDS providers than among privately managed ones. Inadequate access to finance is considered one among the major barriers to MSMEs involvement in BDS development and delivery process in Tanzania as stipulated by HDIF (2014). Service providers find themselves in this situation due to inadequate or delayed government funding. It was also found that BDS providers' management were unwilling to prioritise and allocate available resources for needs identification and MSMEs involvement. This implies that neglecting well established practice might be due to low awareness among services providers on the necessity of including clients in the process or budget constraints. As indicated by Tosun (2000), most public bodies would not want to spend their limited financial resources on community participation programmes. This is supported by Bradley *et al.* (2012) and George *et al.* (2016) who established that most developing countries and public organizations have been operating below the technology frontier due to resources inadequacy. This implies that resources limitation has been constraining BDS providers' activities.

Furthermore, MSMEs, specifically micro enterprises owners, explained that they always found it a challenge to attend trainings leave alone consultative meetings held away from their destinations, as they could not meet the transport costs or leave their businesses. As a result, there is always an expectation to be facilitated with travel costs by BDS providers.

3.10.2 Inadequate BDS information and awareness

Business development service providers acknowledged that some MSMEs in the study area were not well informed about BDS providers' operations and influence on growth of their enterprises. Participants from MSMEs also agreed, noting that more emphasis has been put on trainings rather than on BDS outcomes. In some cases, MSMEs complained of lack of understanding of the relationships between their enterprises' development and BDS providers' activities due to inadequate information from BDSPs as it was stated by MSMEs FGD participants:

"We do not know much about BDS providers apart from being grouped and being assisted with loans to develop our businesses. What loan officers have been saying over the past years is to encourage us to pay back our loans on time. We are interested to know other services we can access from them and to be involved in several activities" (FGD participant, Moshi Municipality, 2017).

Furthermore, it was observed that low level of education and awareness among MSMEs practitioners concerning BDS providers, limited their interest to get involved with other services provided by BDS providers. The study findings confirm the findings by Marzuki *et al.* (2012) and Tosun (2000) who suggested that local communities need adequate knowledge development to be empowered and effectively engaged in development processes.

3.10.3 Lack of coordination

The findings showed lack of coordination amongst various BDS providers in the study areas. Despite the fact that, at the national level there is an MSMEs policy, a framework and other bodies responsible for MSMEs operation respectively, there is no collaboration directly among BDS providers, planners and development of BDS, and there is no interfere in delivery of BDS providers' services. It was noted that BDS providers had not directly been involved or shared their plans with other stakeholders in the same operation. The impact of lack of coordination in BDS delivery process extends to MSMEs. The lack of coordination of these organizations' programmes has resulted into centralized administration, as explained by a BDS provider's key informant in the statement below.

“We normally find ourselves several times doing and conducting the same programmes in MSMEs. So, you may find that we go somewhere today and the other day it's another BDS provider going there and probably doing the same programme we did, or sometimes the messages contradict each other; this causes confusion to our clients” (BDSP key informant, 2017).

The lack of coordination amongst BDSPs has greatly affected delivery of services and the interest of MSMEs towards their services. One of the objectives of BDS providers is to promote development of MSMEs, but due to lack of coordination, BDS providers look like competitors, competing for clients, hence leaving aside their objectives, and the participation of local communities in the planning processes. Since resources are wasted in these repetitive actions, it is essential to develop coordination mechanisms among stakeholders to leverage different resources in the BDS delivery process.

3.10.4 Paper contribution and theoretical reflection

The paper established minimal relationship between the two sides. This implies that limited interaction existed between the BDS providers and MSMEs in needs assessment,

BDS development and delivery, a situation that partly explains as to why MSMEs continue to face challenges in development of their enterprises. Thus, since MSMEs involvement in BDS delivery process was not adequately implemented among the studied BDS providers, the findings confirm the marketing strategy failure. This implies that the involvement of MSMEs was necessary for enabling successful BDS delivery which were largely lacking unlike the theory postulation that emphasizes on the need for the BDS providers and MSMEs to actively interact in enabling successful services development and delivery.

BDS providers are grasping a marketing approach, as it is an essential weapon in the competition age. With technology change and need for competitive services in the market, BDS providers are facing serious competition from the profit-making microfinance institutions, which have realized the potential of an ever-increasing information service. Service providers can improve their services by improving their services and promoting their services with the same marketing and advertising techniques used by successful business organizations. Marketing of BDS is not just disseminating information; it includes valuable information regarding the value addition and competitive benefits in engaging the BDS providers in development of MSMEs. Promoting the value of BDS increases MSMEs value perception, gives the service a higher quality level and leads to increased profit in BDS providers firms. BDS providers' willingness to focus on marketing actions will be in a better position to increase MSMEs satisfaction and successfully adapting to changing market needs.

The results of this paper offer an insight on various BDS delivery pathways and the value these pathways offer to MSMEs. The effect of BDS delivery pathways on MSMEs, should drive service providers to design and manage the process of delivering BDS to improve service quality and motivate clients to purchase BDS.

3.11 Conclusions and Recommendations

3.11.1 Conclusion

In assessment of BDS providers' service delivery pathways; it was observed that BDS delivery pathways vary from one BDS provider to another one. Most preferred service delivery pathways were training, seminar and workshop, technical demonstration centres and trade fair. These were mostly preferred because they involved a large number of clients at once. Furthermore, the findings indicated that there are no institutionalized approaches for BDS delivery pathways among studied BDS providers. Thus, the choice of service delivery pathway was influenced by prevailing situations based on who initiated the process, type of service, nature of client or available resources. The findings also reveal that most BDS provider recovery service costs through fees and selling of materials to MSMEs.

Furthermore, public BDS providers are limited compared to private and most of the BDS providers rely on a supply-driven approach to provide BDS to MSMEs. BDS are developed, and delivery methods are decided without prior assessment either of the needs of the MSMEs or of the benefits or impact of BDS to clients. In most cases public BDS continue to use traditional BDS delivery approach; most of their services were subsidized, questioning their sustainability and growth.

Moreover, although BDS providers acknowledge the need for MSMEs involvement in services delivery processes associated with development of their enterprises, the extent of SMEs involvement was limited.

3.11.2 Recommendations

To strengthen and enhance BDS providers service delivery approaches, this paper recommends that BDS providers executives should work to ensure BDS delivery

approaches that are clients oriented. BDS programme design and delivery should be based on the understanding of existing markets in order to effectively identify weaknesses and opportunities and to pinpoint local mechanisms for service delivery, to choose the intervention strategies and instruments. Clear understanding and knowledge of the beneficiaries they serve and hope to serve will allow BDS providers to identify the appropriate strategies to deliver their services. Similarly, MSMEs practitioners should make efforts to get involved in issues concerning their challenges by seeking consultation. The intimate understanding by BDS providers of their beneficiaries will have a significant impact not only on the types, relevance and impact of their services but also on the sustainability of the approaches they take and actual services they deliver. In relation to this, the BDSPs must be equipped with practical business knowledge so that their advice is more realistic and able to convince MSMEs.

It is also recommended that the supply of BDS be determined by the market and that demand be shaped by a clear understanding of the needs of MSMEs. However, market failures can occur where MSMEs do not get the services they need. These market failures are usually a result of lack of information, trust between the parties and financial deficiencies.

The study suggests that, policy makers should consider establishing guidelines which will be used to guide delivery of BDS. The government should be advised to subsidize private BDS providers services, until MSMEs served become sustainable to pay for the services. MSMEs vary on financial capacity, social environmental context and needs, BDS providers are advised to design BDS in accordance with MSMEs purchasing capacity; this can be achieved through sharing and involvement of MSMEs in needs assessment and BDS development.

Furthermore, the study recommends the need for policy makers advocacy for strategies which can facilitate MSMEs involvement in BDS designing and delivery process. The advocacy strategy should articulate the required actions to promote the process. Depending on the nature and needs of MSMEs, such strategies are expected to mitigate the costs and maximize BDSPs' benefits, as well as improve the levels of MSMEs involvement in BDS delivery process to ensure sustainable MSMEs development. Such strategies should include SMEs capacity building and use of appropriate participation methods. Also, for practices involving costs recovery, all concerned parties should be involved. BDS providers need to take initiatives by communicating costs incurred in development of services with MSMEs. Collective understanding will motivate MSMEs to pay for the services.

3.12 References

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CHAPTER FOUR

4.0 Absorptive Capacity of Micro, Small and Medium Enterprises in Accessing and Utilizing Business Development Services in Arusha City and Moshi Municipality, Tanzania

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Abstract

Micro, Small and Medium Enterprises (MSMEs) absorptive capacity to acquire and use Business Development Services (BDS) is critical for their survival, growth and ability to compete in the market. The objective of this paper was to examine MSMEs absorptive capacity to access and use BDS in Moshi Municipality and Arusha City. A total of 254 MSMEs were sampled using randomly sampling for the study. Cross-section design was used for this study. Respondents were sampled using simple random sampling. Data were collected using a structured questionnaire, focus group discussions and observation. Content analysis was used to analyse qualitative data, and quantitative data were analysed

using Statistical Package for Social Sciences (SPSS). Results indicated that most MSMEs were aware of available Business Development Service Providers (BDSPs) and had used their services. The main sources of BDS for MSMEs were private business development providers. MSMEs have various potentials in terms of human and financial capital to access and use BDS provided by available BDS providers. Medium-sized enterprises showed high knowledge-sharing potentials, mostly supported by high capacity of human and financial capital, while micro-enterprises had low potentials for applying new knowledge, which was influenced by low level of financial and human capital. The paper recommends that MSMEs should develop internal capacities through training and networking activities to acquire capacities to identify new knowledge and productive BDS. The government should also provide subsidies to private service providers to invest and bring appropriate technology to MSMEs. Policies with minimum local content should be enacted to ensure BDS providers provide services micro and small enterprises. Furthermore, efforts should be made by BDS providers to effectively make use of media, formal and informal organizations and Ministry of Industry and Trade in raising awareness about BDS providers' functions and expertise in business development.

Key words: Resource Accessibility, Small enterprises, Affordability, Northern Zone, Tanzania.

4.1 Introduction

The ability to access and use Business Development Services (BDS) is critical for Micro, Small and Medium Enterprises (MSMEs) so as to improve access to information and maximize growth. Some SMEs are being threatened by changes in customers' demands and expectations, market conditions, technological development and globalization (Robson *et al.*, 2003; Bengesi, 2013). Therefore, to respond to these challenges, MSMEs

are required to strengthen their knowledge-based capital as the main asset for growth which can be acquired through BDS (Bengesi and Roux, 2014). Scholars like Rugus and Slavec (2017) argue that SMEs need technology to improve development of their products, processes, and services, knowledge that can be accessed by absorbing new skills and technology from external sources. In view of that situation, MSMEs' ability to solve their challenges is embedded in their ability to access and use external knowledge to exploit opportunities in their surroundings (Valentim *et al.*, 2016). This external knowledge can be sourced from Business Development Services (BDS), which is an array of activities that MSMEs use to develop and enhance their operations and improve their performance (Mcvay, 1999).

Thus, access and use of BDS is critical for MSMEs development and growth (OECD, 2018). With this understanding, governments all over the world, including Tanzania, have put in place different mechanisms to enable MSMEs to access kinds of external support that are affordable, timely and adequate. Such kinds of support include policies in favour of MSMEs and BDS, information flow and access to finance and other kinds of support like networking, trainings, incubators and market which are among BDS which are essential for the growth of MSMEs (Kehinde and Ashamu, 2014).

In practice, BDS providers facilitate access to market, provide infrastructure, introduce new technology, procurement services, improve management, technical skills, and advice on how to eliminate policy barriers, and help MSMEs develop their enterprises (Goodluck *et al.*, 2016). However, while it is convincing to believe that access to BDS and other external knowledge enables development and growth of enterprises (Kahinde and Ashamu, 2014), how MSMEs manage BDS to create competitive advantage receives little

attention (Denan, 2012), which brings this discussion to the concept of absorptive capacity.

It is against this background that this paper aimed at examining absorptive capacity of MSMEs to access and use BDS from providers to develop their enterprises in Moshi Municipality and Arusha City. This paper is guided by the following questions: Do MSMEs have capacity to access and use BDS? Are MSMEs familiar with the available BDS providers? Which processes of knowledge acquisition, interpretation, sharing and utilization exist in MSMEs to influence their ability to develop new products?

Examining the absorptive capacity of MSMEs to access and use BDS is crucial because such capacity has an implication for MSMEs' ability to innovate (Dutse, 2013; Zhixiong and Yuanjian, 2010). It is claimed that, in the real world, without a high level of absorptive capacity, firms cannot access and effectively use external knowledge (Roshartini *et al.*, 2011). That is why the research on which this paper is based was worth undertaking. However, different meaning is given to BDS; in the context of this paper the definition earlier postulated, is adopted for BDS to include non-financial services such as market access, infrastructure, policy advocacy, accounting/bookkeeping, consulting, input supply, training and technical assistance, technology and product development and business incubation (Parker, 2011). Exploring more about this domain would help MSMEs owners or managers to improve their firm's absorptive capacity effectiveness by facilitating the adaptation and development of innovation routines and capabilities.

However, existing literature still documents scanty information about BDS sourcing in MSMEs and how BDS are actually transformed and combined with existing internal stocks of knowledge in order to modify or develop new organizational capacity and

thereby influencing MSMEs performance. Thus, in order to bridge the existing knowledge gap in the subject matter under investigation, it was crucial that this study be undertaken.-

4.2 Theoretical Review

4.2.1 Absorptive Capacity Theory (ACT)

This paper is guided by theoretical insight from Absorptive Capacity Theory (ACT). Absorptive Capacity has been described differently by different scholars. Cohel and Levinthal (1990) described it as the ability of a firm to recognize the value of new external information, absorb it and use it for commercial purposes. Zahra and George (2002) conceptualized absorptive capacity and characterized it as a set of organizational routines and processes by which firms access, interpret, share and exploit knowledge to produce a dynamic capability. Matusik and Heeley (2005) and Limaj and Bernroider (2017) argue that absorptive capacities are processes and routines developed by organizations to disseminate and share new knowledge.

Appropriate for this paper is the description given by Zahra and George (2002) who described absorptive capacity as a set of organizational routines and processes by which firms access, interpret, share and use knowledge for commercial purposes. These authors refer to this capacity as a deep rooted capacity in the firms' routine and processes. This definition introduces four dimensions of absorptive capacity: (1) accessing, (2) assimilating/ interpreting, (3) transforming/ sharing (4) utilizing new external knowledge to commercial ends. Referring to the description of absorptive capacity, it is considered that capacity and costs are involved to access, interpret, share and use to commercial ends these types of external knowledge.

In the context of this paper a theoretical insight from absorptive capacity theory was used to establish absorptive capacity process in MSMEs in accessing and using BDS from various providers. A theoretical insight was also used to examine capacity of MSMEs resources and absorptive process within themselves. This paper, nonetheless, modifies the version of absorptive capacity as the practice by which MSMEs are capable of mastering the whole process of accessing relevant BDS from various BDS providers; interpret acquired BDS and applying it to solve their challenges. As discussed earlier in this paper, there have been a significant number of public and private support programmes established to develop MSMEs to become competitive in Tanzania. Therefore, MSMEs are required to have ability to access and use such types of support in their day to day operations to improve performance of their businesses.

Moreover, MSMEs are claimed to have limited resources, and this leads them to rely on BDS as the best alternative in enhancing their performance. MSMEs may access different BDS from various sources to accumulate knowledge. The challenges faced by MSMEs in development of their enterprises include low engagement in the process of acquisition, interpretation, sharing and utilization because of the costs and unknown performance opportunities that these accessed BDS could create. The capacity of MSMEs resources in terms of human and financial capital are some of the main determinants of their capacity to combine acquired BDS with existing internal knowledge before it can be applied. Therefore, it is expected that internal resources existing in MSMEs will support them to recognize the value of BDS and transform it into something more meaningful such as profit rather than just accessing it and hence develop and introduce new products, services and processes in the market.

4.2.2 Knowledge Management (KM) Theory

The knowledge management view, which is a more recent perspective on organizational processes, also takes into account an organization's intangible resources. Highlighted are a number of scholars from different fields who contributed to the growth of the knowledge management view (Grant, 2002). Knowledge management is a group of processes that create store, share, and use knowledge to achieve better performance (Zaim *et al.*, 2019). Likewise, KM is regarded as a set of procedures, infrastructures, technical and managerial tools designed for accessing, sharing, and implementation of information and knowledge from inside and outside firms (Torabia *et al.*, 2016). Therefore, knowledge management is a systematic or structured activity to improve the firms' ability to manage knowledge from within and outside the firm. The procedures include acquisition, transfer, and storage, retrieving knowledge to support knowledge creation as a basis for generating new products or services thus supporting achievement of firms' performance (Budihardjo, 2017). Knowledge is assumed to be useful in the sense that it increases a firm's performance from different sources while absorptive capacity focuses on the ability to identify and utilize new knowledge.

The paper applied the KM as the key factor that supports MSMEs to establish relationships and interactions within and outside their organizations. KM draws MSMEs resources together in the process of accessing, interpreting, sharing and utilizing of accessed BDS. KM facilitates quick transfer and distribution of BDS among MSMEs employees and those who need it. Therefore, the ability to use BDS requires resources and KM which support MSMEs to put acquired BDS into new goods, services and processes. While this view has been used to illustrate the role of knowledge sharing in value creation, less attention has been paid to describe the process by which, the knowledge sharing can positively affect the organizational output.

4.2.3 The system theory

Systems theory was first proposed by Von Bertalanffy Ludwig in the year 1968 in trying to understand the complex systems and how best they can be managed. The system theory to the organization views an organization as a result of interaction and composition of dependent and related elements (Von, 1956). The elements could be accessed internally or externally. An organization must interact with its external surroundings to access various inputs in terms of resources or knowledge for its development and growth. Since the surrounding is dynamic and constantly changing, it causes uncertainty on what organizations must do to survive. Therefore, knowledge is regarded as one of the very important inputs for dealing with uncertainty and survival of organizations.

In this regard, MSMEs are seen as a system built by various resources from within and from their surroundings. As any other system, they are faced with uncertainties and challenges. Therefore, they need various resources and information to combat them. Knowledge management is a key factor used to identify types of resources and information organization needs to reactivate the system. Similarly, knowledge management; through technology, procedures and managerial tools; influences the capacity of organizations to use accessed resources or information for their performance. However, in this theory the functional paradigm view is dominant; it does not consider the ability of resources and how knowledge is applied to enhance the firms' performance.

This paper assumes that SMEs have the ability to process knowledge and yield better performance compared to their competitors. In this view, these theories are useful in understanding the process of absorptive capacity in studied MSMEs.

4.2.4 The concept and processes of absorptive capacity

The process of absorptive capacity is built upon the contribution of Zahra and George (2002) who refer to absorptive capacity as a sequence of events grouped into four dimensions: acquisition, assimilation, transformation and application. Activities involved in these processes are coordinated by MSMEs employees (Kang and Lee, 2017). According to Sun and Anderson (2010), the first process of absorptive capacity is accession of resources and or BDS which is referred to as the ability to evaluate and collect information from external sources. Knowledge can be accessed through communication with external stakeholders, including customers, suppliers, competitors, consultants, or through BDS providers (Si Xue, 2017). Other sources include meetings, discussions, and group work (Torabia *et al.*, 2016). Knowledge accession and creation require a group of people who come up with new ideas, new concepts, innovative products or processes (Pandey, 2014). Therefore, this is regarded as the ability of an organization to access new knowledge and solutions related to their activities, managerial procedures, products/services and technology (Tubigi *et al.*, 2013). Knowledge acquisition is regarded as an influential process in organization ability to develop new products (Tubigi *et al.*, 2013; Kimaiyo *et al.*, 2015; Alaarj *et al.*, 2016).

The acquired knowledge is taken to the second stage where it is interpreted. The interpretation process begins at the individual level, then extends to the group level and finally reaches the entire level of the firm. This process takes the knowledge acquired to the third step for sharing and assimilation. At this stage the acquired knowledge is shared and combined with MSMEs existing knowledge including documentation, storage, and retrieval of knowledge in certain knowledge depositories of an enterprise (Abubakar *et al.*, 2017). The process of sharing knowledge includes interaction and exchange of experiences, ideas, and skills through departmental meetings, group discussions, mail

exchange, telecommunication, documents and informal dialogues to combine existing and acquired knowledge to create new knowledge (Alaarj *et al.*, 2016). Knowledge sharing activities are supported by employees' skills, expertise or information based on experience (Islam *et al.*, 2017)

Nevertheless, the last process is application of new knowledge which refers to ability of the firm to convert acquired knowledge into its activities which largely depends on employees' skills, expertise and availability of necessary resources, including financial resources) and KM to improve performance of an organization. This ability develops the processes of institutionalization, allowing the firm to capture new knowledge in its routines, systems, procedures and surroundings for improvement of organizational performance (Alaarj *et al.*, 2016).

A number of qualitative studies have been conducted to determine the absorptive capacity process (Zahra and George, 2002; Easterby-Smith *et al.*, 2008). These studies provided richer examples of the processes and practices adopted in absorptive capacity in specific empirical contexts. However, less so far has been documented on how BDS are transformed through these processes in MSMEs. Thus, there was a need for an empirical study to explore how these processes take place within MSMEs by drawing empirical evidences from Arusha City and Moshi Municipality. Undertaking the study on which this paper is based was motivated by the need to understand if different dimensions of absorptive capacity exist and how they take place in studied MSMEs. These processes will reveal the ability of MSMEs to actively utilize BDS. Therefore, for the study, it was found appropriate to use these dimensions to assess absorptive capacity process within MSMEs in the study area and come up with the findings to bridge the gap of information.

4.2.5 Determinants of absorptive capacity

Researchers have made several attempts to venture into the area of MSMEs absorptive capacity determinants. For example, it was found that MSMEs' internal factors such as owners' education and prior work experience were important factors in accessing external knowledge for innovation in their enterprises (Romijn and Albaladego, 2002). Darnall *et al.* (2010) established that employee qualifications such as education and training programmes are main determinants. Hofmann *et al.* (2012) established other determinants such as prior work experience and technical skills of the workforce, while Romijn and Albaladego (2002) identified the size of firms measured by start-up capital as an indicator of the absorption capacity. Loewe *et al.* (2013) argue that the size of the firm affects its ability to access external support for innovation; the smaller the firm size, the lower the ability to acquire knowledge from external environment. Other researchers have claimed that the size and sector of activity are also important for MSMEs' absorption capacity (Jordan and O'leary, 2008; Weterings and Boschma, 2009).

Generally, MSMEs' internal capacities facilitate acquisition, assimilation, and application of BDS. However, a review of the literature on absorption capacity has shown that there is no universally accepted application and measurement of absorption capacity because organizations differ in size and functions (Whittington, 2006; Ojo *et al.*, 2014). Furthermore, application and operational engagement of the concept of absorptive capacity in different fields and various levels of analysis has led to confusion in its measurement, determinants and its effects on various factors which are assumed to determine capacity of MSMEs to acquire resources. Nevertheless, most of MSMEs' capacities in the context of BDS acquisition and application have not been explored in the study area.

4.2.6 Empirical review

Absorptive capacity is one of the factors of knowledge management and a pillar of MSMEs learning and knowledge transfer (Kamseh and Jolly, 2008). Knowledge creation in MSMEs depends to a great extent on their absorptive capacity, which is understood as ‘one of a firm’s fundamental learning processes with ability to identify, assimilate and exploit knowledge from the environment’ (Lane *et al.*, 2006). According to Torabia *et al.* (2016), knowledge management is managing knowledge through organizational technology, procedures and systematic process to organize, stabilize, implement, and share explicit and implicit knowledge from employees, to improve organizational performance.

Moreover, absorptive capacity is regarded as an ability of an organization to acquire and utilize knowledge to contribute to organizational performance in the form of innovation, new products development, and competitiveness (Yongliang, 2010). This is due to the fact that achieving superior performance depends on the ability of MSMEs to accumulate knowledge and use it to resolve their challenges (Alaarj *et al.*, 2016). This paper study focuses on four processes of MSMEs absorptive capacity which are very important because the findings can help enterprises to further explore their impacts on their ability to introduce new products.

A number of empirical studies have made some efforts to examine the firms’ absorptive capacity in external knowledge sourcing. For example, Liu *et al.* (2017) in their study on innovation performance in Chinese manufacturing industries found that absorptive capacity was positively related to industries’ innovation performance. Likewise, Tseng *et al.* (2011) examined whether absorptive capacity increased innovation performance of Taiwanese designing industry, and they found that absorptive capacity is positively

related to innovation performance. Zhixiong and Yuanjian (2010) found that knowledge is a key factor to maintain continuous innovation of enterprises in China. They identified the absorptive capacity as a set of skills and knowledge with which a company has to absorb, transform and use. Their study concluded that communication and mutual understanding were crucial factors for absorptive capacity. Colombo *et al.* (2013) and Okamuro *et al.* (2011) examined the determinants of networking as a mode of external knowledge sourcing for start-up firms. Likewise Lin *et al.* (2002), in their studies on Chinese enterprises, studied important factors for absorptive capacity and found convincing associations between absorptive capacity and factors such as diffusion channels for external technology, organizational interaction mechanisms and Research and Development (R and D) and resources. They concluded that firms cannot successfully integrate and apply external knowledge unless they possess a high level of absorptive capacity and KM. Bala Subrahmanya (2001), in his study, found that lack of prior education background of entrepreneurs differentiated the level of innovations of small enterprises in the engineering industry. Consequently, employees who possessed university degree represented a higher level of absorptive capacity in MSMEs (Muscio, 2007). Thus, the ability of a company to use the knowledge that exists outside it depends on the knowledge that the organization has in its interior (Anatoliivna, 2013), and this is based on the assumption that firm's internal capacity is associated with its absorptive capacity.

In the context of this study, effective absorptive capacity of MSMEs is paramount that firms engage the services of highly educated employees and at the same time invest continuously on their resources to be in better positions to acquire and utilize BDS. Although previous studies recognized capacities encompassed within MSMEs, the capacity of their employees to access and use BDS and the process of absorptive capacity

within their firms remain unexplored. Therefore, this paper explores whether MSMEs have the capacity to access and use BDS and whether the absorptive capacity dimensions process exists in the studied MSMEs.

To determine the capacity of MSMEs to access and use BDS in the studied MSMEs, this paper used the criteria described by different studies based on reviewed studies: human capital and MSMEs size. These factors influence MSMEs in deciding whether to acquire BDS, and if yes what kinds of BDS are appropriate to seek. Human capital refers to the level of education and experience acquired in a given field of knowledge-over time. It is widely accepted that the highly educated and technically qualified staff is more receptive to assimilating and transforming available external knowledge. In other words, companies whose employees are highly educated and trained will have higher levels of absorptive capacity, whereas MSMEs size is determined by the number of employees and capital (Nonaka and Takeuchi, 1995; Ravichandran and Lertwongsatien, 2005; Moreira-and Markus, 2013).

4.2.7 The Conceptual framework for this paper

Figure 1 presents the conceptual framework of this paper and suggests that the most important driving forces for competitive success of MSMEs is ability to innovate which is the result of application of accessed BDS. Innovation can be defined as an outcome of creation of goods or services that are new to the market (World Bank, 2006). This paper modified the definition as an outcome of the process of BDS absorption to create new services, goods and processes. In this respect, absorptive capacity, which is referred to as the firm's competence in using knowledge acquired from outside, is influenced by organization system which supports organization interaction with its environment. System makes internal knowledge available to the employees and provides information for

organizational learning. The absorptive capacity of MSMEs depends on relationships and structures which allow access to and dissemination of relevant knowledge and plays a decisive role in their capacity to exploit opportunities.

Likewise, KM influences each of the four abilities of absorptive capacity. At first, KM provides means to identify relevant resources by facilitating the identification and acquisition of relevant knowledge. Second, KM supports the assimilation of knowledge by building and organizing a firm's knowledge stock and finally it encourages the transformation of knowledge comprising the combination of prior and newly acquired and assimilated knowledge by providing means to update and share knowledge. The result of the processes of absorptive capacity, system and knowledge management is increased SMEs absorptive capacity to create new products, services and process.

Independent variables

Knowledge
management

Resource
Human capital,
experience
Firm size

Organizational system

Absorptive capacity

Acquisition
Interpretation
Sharing
Application

Dependent variables

MSMEs
Innovation

Number of
new process

Number of
new services

Number of
new products

Figure 4.1: Knowledge management contribution in MSMEs absorptive capacity

(Source: Adapted and modified from Zahra and George (2002; Von Bertalanffy, 1956).

4.3 Methodology

4.3.1 Study area

This study was conducted in Arusha City and Moshi Municipality. The two study areas were selected because they are among the urban centres with considerably a high number of MSMEs in northern Tanzania (URT, 2016). The two research sites connect tourism and regional transit for the Northern Corridor of Tanzania. Similarly, the cities are homes to large manufacturing sector in the region such as coffee, breweries, soft drinks, dairy, food and sugar processing, agro-forest processing factories and large pharmaceuticals industries (Pasape, 2018). These potentials call for demand for services provided by MSMEs such as raw materials and other inputs needed for production, manufacturing, and services provision. The economic growth and concentration of MSMEs in these districts on the other hand has resulted into the demand and concentration of BDS providers, which support the development of MSMEs in these areas.

4.3.2 Research design, sampling procedures and sample size

The study adopted qualitative and quantitative research approaches with a cross-sectional research design that allows data collection at a single point in time (Babbie, 1990). The research design was used because it is suitable for descriptive analysis. The population for the study was MSMEs in Arusha City and Moshi Municipality. The sampling frame for the study was a list of MSMEs practitioners in Arusha City and Moshi Municipality. A total of 254 MSMEs were randomly selected from the available list of 696 MSMEs from whom the sample was drawn from. Similarly, simple random sampling strategy was used to obtain 48 Focus Group Discussion (FGD) participants from 254 participants for both locations—two FGDs for each type of enterprises; micro, small and medium. The sample size of 254 participants is much larger than the minimum 30 sample size recommended by

Bailey (1994). The formula for sample size calculation proposed by Yamane (1973) was used, at the 95% confidence level and 0.05 sampling error as presented in equation (1).

$$n = \frac{N}{1 + N e^2} \dots\dots\dots(1)$$

where: n = sample size

N = population size and

e = level of precision (sampling error)

$$n = \frac{696}{1 + 696 e^2} = 254$$

4.3.3 Measurement of key variables

The study measured various variables for MSMEs capacity as indicated in Table 4.1.

Table 4.1: Micro, small and medium enterprises capacity

Indicators	Measurement	References
Human capital Experience	<ul style="list-style-type: none"> Formal education (Number of years worked) 	Lall (1992), Cohen and Levinthal (1990), Chaminade and Vang, (2008). Grekova <i>et al.</i> , 2016; Jansen <i>et al.</i> , 2005
Firm size	<ul style="list-style-type: none"> Number of employees Capital 	Loewe <i>et al.</i> (2013), Weterings and Boschma (2009), Jordan and O’leary (2008) and Cohen and Klepper (1996)

Source: Researcher’s own construct

4.3.4 Data collection

A questionnaire which was used to capture the characteristics and capacity of MSMEs, awareness on BDS providers and access to BDS. Qualitative data were collected through FGD using checklist on issues related to BDS absorption processes in MSMEs.

4.3.5 Data analysis

Thematic content analysis (L’Écuyer, 1987) was used to analyse qualitative data obtained from focus group discussions. In this regard, many words of text transcribed from recorded information were compressed into fewer content categories resulting in synthesized meanings based on study objective knowledge absorption process in firms. The

information obtained from the MSMEs survey, was analysed using the Statistical Package of Social Science (SPSS) software, for descriptive statistic including frequencies and percentage.

4.4 Results and Discussion

This paper assessed absorptive capacity of MSMEs to access and use BDS. Specifically, the paper assessed the capacity of MSMEs to acquire and utilize BDS; MSMEs practitioners' awareness of available BDSPs; and the processes of knowledge management, knowledge acquisition, assimilation, transformation and application to SMEs.

4.4.1 Capacity of SMEs to acquire and utilize BDS

In the context of this paper three main factors were applied to assess MSMEs absorptive capacity to access and use BDS namely employees' education level, experience and firm size. In essence, absorptive capacity in MSMEs depends on the level of education of employees as well as their size in terms of capital and a number of employees (Volberda *et al.*, 2010; Schweisfurth and Hertatt, 2018).

Formal education offers essential skills for individuals to master their own businesses, increase confidence and skills enhance absorption capacity to acquire and utilize BDS. The findings as presented in Table 4.2 illustrate that the greatest proportion (32.3%) of MSME employees had a secondary education and above. This means that employees had ability to identify and apply relevant BDS for their enterprises. Level of education increases awareness and exposure to various existing BDS providers and services in their areas. The acquired level of education increases ability to decide or advise management to consider a broader variety of new alternatives or altering established firms' processes to

accommodate acquired BDS. Likewise, educated and technically qualified employees are more receptive in interpreting and sharing available BDS (Kang and Lee, 2017). According to Schweisfurth and Hertatt (2015), employees must have background training and experience to deal with communication challenges which separate their firms from interacting with external sources of knowledge. In this view, employees with high knowledge will have ability of absorbing knowledge from their surroundings (Helfat and Peteraf, 2015).

Table 4.2: Micro, small and medium enterprises capacity

Level of education	Frequenc y	Per cent
Primary	36	14.2
Secondary	82	32.3
Certificate	17	6.7
Diploma	56	22.0
First Degree	57	22.4
Master's Degree	6	2.4
Total	254	100.0

Source: Researcher's own construct

Given the fact that most entrepreneurs in the study area had basic education as shown in Table 4.2, it is apparent that, due to the overall qualifications that the MSMEs had, they had adequate capacity to access and use BDS. In essence, the level of education attained enhances the employees' confidence in identifying appropriate BDS to meet needs of their enterprises. Similarly, basic education improves the overall quality of the owner/manager basic literacy, which increases the chances of obtaining information (Regner and Zander, 2014). The study findings of this paper are in line with the suggestion by Kang and Lee (2017) that managers should have sufficient education to coordinate actions related to the mechanism to transfer technology to ensure sufficient absorptive capacity.

Moreover, by observing the size of MSMEs, this paper establishes financial capital with regard to size of MSMEs as one of the crucial elements to undertake innovations in MSMEs, which is accelerated by acquisition of BDS. Inadequate financial capital limits MSMEs to access, and utilize acquired technology, hire and employ skilled personnel. This hinders the potential to adequately meet the needs of consumers (Loewe *et al.*, 2013).

As presented in Table 4.3, MSMEs were classified into three categories based on the MSMEs Policy of 2012 (URT, 2012). MSMEs with less than TZS 5 employees and less than 5 million capitals were categorized as micro-enterprises. Those with 5 to 49 employees and a capital between TZS 5 and 200 million were small enterprises and those with above 50 employees but below 99, and a capital of between 200 and 800 million were medium enterprises.

Table 4.3: Micro, small and medium enterprises size

Category	No of Employees	Capital (million)	Frequency	Per cent
Micro enterprise	<5	< 5	146	57.5
Small enterprise	6 to 49	5.1 to 200	62	24.4
Medium enterprise	50 to 99	201 to 800	46	18.1
Total			254	100.0

Source: Researcher's own construct

The majority of the surveyed MSMEs (57.5%) were microenterprises with small capital of less than five million Tanzanian shillings. Small capital depicts low investment and therefore low ability to access and apply BDS for innovation; though in other cases the presence of more microenterprise creates an environment that enhances MSMEs absorptive capacity. This is based on the fact that micro and small enterprises are more adaptive and flexible to change their resource base to adopt new ones (Ritam and Kalyan, 2014). The findings from this study are in line with the MSMEs Policy of 2003 (URT,

2012) which says that, in Tanzania, the micro enterprises category covers a large proportion of enterprises.

Given the fact that the majority of MSMEs are microenterprises with low capital of less than five million, it might negatively affect their capacity to access and utilize high cost BDS. These observations are supported by findings by Lindvert (2018) and Isaga (2019) who reported that the unavailability of finance for investment negatively impacts the ability and performance of MSMEs. Financial limitation for growing and expanding enterprises is a concern to MSMEs in many developing countries. Most of MSMEs rely on internal finance which is often inadequate for MSMEs to engage in sourcing of external support (Sharmilee and Sitharam, 2016). Despite the fact that micro enterprises cannot afford high cost BDS, they have the ability to access BDS through sponsored training, incubators and networking that allow sharing of resources and information (Cheng *et al.*, 2014).

Furthermore, the study also established how long the respondents had been managing their businesses. Experience supports them to know what BDS are required in different situations and different settings and where to seek BDS. This paper considered all kinds of experience regarding business as suggested in the literature. Literature has categorized these experiences in three groups: general experience, such as education, industry experience and entrepreneurship experience which refer to experience in activities related to business ownership. All these types of experience are linked with employees' experience (Ng and Hamilton, 2015).

Table 4.4: Experience in managing business

Experience	Frequency	Per cent
1 to 3 years	104	40.9
4-6 years	74	29.1

7-9 years	43	17
Above 10	33	13
Total	254	100

Source: Researcher's own construct

As presented in Table 4.4, the greatest proportion (40.9%) of the respondents had more than three years of experience. Samei and Feyzbakhsh (2015), in their study on business competence, argue that experience gives owners high chances of being more innovative in their businesses. Three years' experience is long enough for someone to generate capability to identify relevant BDS for the needs of their enterprises.

These findings imply that the majority of the employees have worked long enough to be able to identify, access and evaluate external sources of BDS. Experience facilitates identification of appropriate external information and their absorption in improvement of MSMEs performance. Findings from this study are supported by Ndemezo and Kayitana (2018) who argue that internal organizational capability, including experience of owners, increases the capacity to effectively use outside knowledge. In addition employees' experience provides MSMEs as a means to reduce overall transaction costs to acquire new knowledge and integrate this knowledge in existing systems (Grekova *et al.*, 2016; Darnall and Edwards, 2006). For example, previous experience with a certain programme allows MSMEs to adopt timely new knowledge as previous knowledge exists.

4.4.2 Awareness of available business development service providers

Despite MSMEs absorptive capacity as presented under Section 4.3.1, awareness about existing BDS providers is critical for access and potential use of BDS. However, assessment of MSMEs' awareness of available BDS providers, in essence, depends on their level of exposure to external environment. An individual with a tendency to interact with the environment will influence the possibility to identify new knowledge such as BDS (Kuratko and Morris, 2018). External information awareness refers to the extent to

which organizations track best performers, main competitors and technologies in the industries, and maintain contact with suppliers, customers, and the government to gather information from the external environment (Limaj and Bernroider, 2017). This suggests that active organization system is required for MSMEs to access and use new knowledge.

The findings presented in Table 4.5 show that most of MSMEs (82.3%) were aware and had used BDS, while 17.7 % were familiar but had not used the services. The familiarization with available BDS might be attributed to exposure gained through attendance of training, and advertisements made by BDS providers which were linked to MSMEs prior education.

Table 4.5: Awareness of available business development services providers

Familiarity with BDS	Moshi municipality (n=115)	Arusha City (n=139)	Total
Familiar with BDSPs and used their services	93(80.9%)	116(83.5%)	209(82.3%)
Familiar with BDSPs but did not use their services	22 (19.1%)	23 (16.5%)	45(17.7%)
Total	115(45.3%)	139 (54.7%)	254(100.0%)

Source: Researcher's own construct

Findings on the use of BDS by 82.3% is higher than the findings by North *et al.* (2011), who argued that the proportion of MSMEs using BDS is below 40%. Small firms in developing countries may not use BDS due to a number of reasons, one being low awareness of available BDS benefits on growth of their enterprises (Kabanda and Brown, 2017).

Furthermore, as argued by FGD discussants, the main limitations for not accessing and using BDS include high costs attached to consultation fees. In some cases MSMEs owners in micro business such as saloons, butchery, and mini shops felt that their businesses were

small and did not need BDS. In other cases, respondents were of the view that BDS providers were not beneficial to their businesses. It was also learnt that long bureaucratic processes, especially in financial institutions such as banks and Savings and Credit (Cooperative Society SACCOS) were a hindrance to some MSMEs to access BDS. One of the FGD discussants commented as follows:

“Sometimes it takes me more than an hour to be served in SACCOs and banks, but yet we are required to fill a lot of papers and follow a lot of procedures.”

(FDG participants, February 2017).

The above statement indicates that, despite the fact that MSMEs owners and managers are aware of available external services, many factors are impeding them to access and use BDS. Results from this study are consistent with Magembe (2017) and Haron *et al.* (2013) who argue that MSMEs do not use external support because of high costs associated with the services, the time spent on getting support, poor experience and poor relationships with the support providers. Moreover, it was learnt that some MSMEs could not differentiate between non-financial and financial services, and they focused on support purely on financial aspects, as agreed by FGD participants that:

“We do not need finance for our businesses because we had enough savings before we started our businesses” (FGD respondent, January 2017).

Therefore, these findings indicate that MSMEs lack a lot of information on multiple services provided by BDS providers. Some MSMEs were constrained by their perceptions towards BDS and uncertainty about returns of these services to their businesses. Findings from this study are similar to those by Juma and Said (2019) who found that inadequate experience and knowledge of support services can lead MSMEs to a suboptimal choice of providers or reluctance to use the services. Similarly, lack of knowledge among MSMEs

about the benefits of external services and criteria for choosing BDS providers leads them to choose irrelevant BDS (URT, 2012; Sospeter, 2016).

4.4.3 The Process of absorptive capacity

The aim of this section was to determine how absorption of BDS takes place in MSMEs through dimensions of absorptive capacity such as acquisition, assimilation, transformation and application of BDS from MSMEs practitioners' perspective. The level of absorptive capacity is determined by the extent to which MSMEs are able to translate relevant BDS into their own enterprises. MSMEs have to be able to make connections between their own technologies or internal information and what others know and are doing while embracing the MSMEs' routines and processes that allow them to analyse, process, and hence utilize acquired BDS (Moreira and Markus, 2013; Lis and Sudolska, 2020). The four processes/phases are described in the following sub-section based on the empirical findings from the field.

4.4.3.1 Knowledge about acquisition process

Small and Medium Enterprises access knowledge from different external sources, bring them into their firms, and assess them to decide whether to absorb them or not. The ability to acquire BDS is facilitated by employees' level of education, skills and experience. Most of the visited MSMEs had ability to identify sources of BDS and acquire them from these sources (Table 4.6).

Furthermore, few MSMEs for example 39.8%, accessed BDS from public sources. In some cases, private providers were contracted by public agencies to provide specific services to MSMEs. The findings from this study are in line with Bonger and Chileshe (2013) and Braidford and Stone (2016) who found that, despite the efforts made by the

government by providing incentives to public BDS providers, their access to MSMEs remains low due to a number of factors. These include uncoordinated supply of information and lack of information on BDS for some MSMEs and even absent for others. It is worth noting that insufficient support and less accessibility of public BDS are not without consequences for development and performance of MSMEs. This is because government support plays a significant role in the MSMEs development (Szczygielski *et al.*, 2017). However, for government support to effectively enhance MSMEs development there should be a coordination centre for performance improvement and access to services (Mole *et al.*, 2014). There should also be efforts to increase the number of public BDS and where possible to extend their services within MSMEs reach.

Furthermore, results from this study revealed that most micro enterprises (46.5%) access public BDS from Tanzania Revenue Authority (TRA), Tanzania Bureau of Standards (TBS), Small Industries Development Organization (SIDO) and 35% only access BDS from private BDS providers, mainly from Microfinance Institutions and SACCOS. The capacity of micro enterprises to access BDS from private BDS providers might be due to low financial capacity to afford service costs (Table 4.6). Most micro enterprises do not access BDS due to lack of information on their benefits or high financial costs of service (Stone, 2012; Isaga, 2019). Therefore, market based system can impact the ability of micro enterprises to access and use BDS, leading to slow or underdevelopment among SMEs. In this view, it is important for the government to put more efforts on supply of various public BDS, to ensure MSMEs have access to affordable services.

Table 4.6: Access to BDS by micro, small and medium enterprises

Enterprises size	Public		Private		Do not use BDS		Total N
	n	%	n	%	n	%	
Micro	68	46.5	51	35.0	27	18.5	146
Small	21	34.8	28	45.0	13	21.0	62
Medium	12	26.0	29	63.0	5	11.0	46
Total	101	39.8	108	42.5	45	17.7	254

Source: Researcher's own construct

In addition, it was learnt that besides BDS providers, MSMEs gain access to information from other sources, such as browsing the internet, reading newspapers, participating in trade fairs organized by government agencies, as participants in an FGD agreed as follows:

“Sometimes, some of us have the opportunity to participate in exhibitions and trade fairs such as Nanenane and Sabasaba. By participating in such events, we promote our products and services and meet potential customers and learn from other participants” (FGD, Moshi Municipality, January 2017).

The above quote suggests that MSMEs practitioners are appreciative of the support they receive from external service providers. Moreover, it was learned that the nature of the company had an influence on acquisition of knowledge, as some enterprises, such as garages owners have limited employees who access external knowledge. This was illustrated by motor vehicle mechanics as follows:

“We initiated to have internet access, but management considered it as a waste of time and resources” (FGD participant, Moshi Municipality, February 2017).

Issues like these discourage employees from valuing and looking for new knowledge which results to rare and low self-driven knowledge searching. Comparison was made to determine the capacity of micro, small and medium enterprises to access BDS. the findings indicate that most of medium enterprises 63% accessed BDS from private service providers. This capacity was attributed to availability of finance and a high proportion of qualified personnel that were receptive to new ideas and had more exposure to external environment compared to micro and small enterprises. Medium enterprises had structured and a coordinated structure to access, share and use external knowledge through clear rules and processes. For example, it was observed that medium enterprises like hotels and

manufacturing enterprises had long and short term plans and budget for their staff development activities. Some had contracts with consulting professionals like lawyers and auditors who were consulted when a need arose. The capacity of medium enterprises was influenced by financial capacity and experiences of their staff in running business. Most of the micro and small enterprises appeared to be uncoordinated and struggling to access BDS, some of them depending on district councils to link them with BDS providers.

4.4.3.2 BDS sharing process

Knowledge sharing is the ability to disseminate new knowledge gained from outside and assimilate it individually. This is done by sharing it with other members of the organization, to brainstorm and reach a common understanding (Cohen, 1998). In addition, knowledge sharing promotes internal knowledge circulation among employees, and this can also increase knowledge resource (Radaelli *et al.*, 2014). However, BDS knowledge transformation and sharing was often presented as a collective process and a team-based activity, involving generation of common knowledge, and understanding of new concepts and processes acquired. This implies the need to articulate and codify new ideas about products and processes and the capacity to see their application on a wider basis. Formal education and experience play a key role here, mainly, the ability to interact with different units and staff members in sharing of acquired BDS and relating it with customers' needs.

From these study findings, medium enterprises such as hotels and few industries were observed to have organization structures which were supportive for information sharing. Acquired BDS were shared through meetings, mails, memos and telephone. They also had arrangements for special discussion meetings when a need arose. However, most often, these meetings included only top management team members, leaving a bulk of

employees out of the loop. On the other hand, other enterprises structures prompt the organization to meet weekly to discuss events, ideas and concerns. It was observed that, in some instances, interpretation of knowledge from such meetings was not well communicated, which sometimes led to fuzziness and confusion among team members.

BDS knowledge sharing process was influenced by human capital which increased the ability to communicate and motivate employees to absorb it. According to Zahra and George (2002), firms differ in their capacity for value creation due to their different knowledge transformation and exploitation skills. However, it was learned that in micro enterprises there was low social interaction because employees were few and had no central system that could support BDS sharing. For example, most of micro enterprises were managed by one or two people limiting formal structure of organization for information sharing. Consequently, the organization's knowledge management system is owned individually, which makes the process of creating new processes and abilities relatively problematic. With this kind of enterprises, individual experience is rarely shared with each other and, therefore, low added value from their knowledge initiatives. In comparison with small enterprises, there was good information sharing system through direct contacts among employees in different sections.

Generally, in the surveyed micro and small enterprises, compared with medium enterprises, there were no formal systems that would allow comprehensive information sharing for both acquired and existing knowledge within MSMEs. Enterprise system was mostly determined by the nature of business which also affected the capability of MSMEs to create a common knowledge base and system that could facilitate organizational forecasting and improved performance.

4.4.3.3 Knowledge application process

Knowledge application refers to MSMEs' ability to use BDS acquired in its activities (Zahra and George, 2002). The ability to apply BDS develops the processes of institutionalization, which allows the application of acquired BDS in processes, products or services of the enterprise. The BDS application process depends on internal resources such as human capital, finance and knowledge management system of organization.

During interviews, FGD participants were asked to explain how BDS were utilized in their companies. FGD participants had BDS in various ways with varying outcomes. In practice, there had been an increase in the production of crops such as vegetables and watermelons as a result of external BDS application. For example, one spice-selling respondent revealed that there had been an increase in monthly sales from 15 kg to 50 kg and this was after attending SIDO training. A veterinary store owner also revealed that he had managed to diversify his business such as selling dog breeds and dog food following knowledge application from training offered by BDS providers.

Another participant revealed that he had been introduced to modern poultry cages that helped him to reduce infections incidents among poultry and thus significantly reducing production costs. Some other participants had studied modern farming methods, as presented in the statement below:

“Here, we learnt fertilization at various stages of plant growth, which improved the quality of our yield” (FGD participant, Arusha City, January 2017).

Participant in another FGD agreed as follows:

“We used to pack bread in simple packaging materials without printing, but after learning packaging, we changed the packaging materials by giving packaging

materials attractive colours. Since then, the demand for our products has increased” (FGD, Arusha City, January 2017).

The above focus group participants’ views indicate that MSMEs were able to utilize external knowledge in the development of various products, which led to positive results in terms of products and services they provided.

Therefore, MSMEs have the ability to utilize the acquired knowledge as results and be able to produce goods and services that meet customers’ requirements since they are involved in determining the quality of a product/service they want. The ability to apply new knowledge stimulates MSME innovation ability (Crossan *et al.*, 1999; Sun and Anderson, 2010). Similarly, customer engagement increases the ability of SMEs to meet consumer needs (Ebersberger *et al.*, 2012; Wikhamn *et al.*, 2016).

4.5 Conclusions, Recommendations and Theoretical Implications

4.5.1 Conclusions

The findings from this study have shared insights on MSMEs accessibility and utilization of BDS. Specifically, this study has highlighted the interplay of absorptive capacity, KM and system theories. The findings of this research indicate that the processes of BDS acquisition, transformation and application involves the whole firm system with close interactions of human, financial capital and KM process to access and utilize BDS. Absorptive capacity is facilitated by coordination and integration of the firm’s internal resources that are embedded in the routines of the enterprise, both internally and externally, and in how it engages with BDS providers. However, differences in their capacity and knowledge management affect the absorption processes for BDS acquired. Medium-sized enterprises showed a high knowledge-sharing potential, which was

supported by high capacity of human capital, financial capital and organizational structure which supports knowledge management. Likewise, micro-enterprises had low potential for applying new knowledge derived from BDS, which was influenced by low capacity in financial and human capital. Effective and successful access and use of BDS requires the capacity of SMEs, as well as internal resources since they both affect the extent to which new BDS can be accessed and utilized by MSMEs. Moreover, some MSMEs did not only acquire knowledge, but also machines, technologies, tools and information. Thus, without a sufficient level of internal expertise and resources, the absorption capacity of MSMEs can be very limited resulting to low impacts on MSMEs productivity and growth.

4.5.2 Recommendations

The paper recommends that, micro and small enterprises have to develop internal capacities through training and exposure meetings to acquire capacities to identify new knowledge and productive BDS. Likewise they should strengthen operation and structure of their enterprises to enhance effective relationship with external environment.

The government should provide subsidies for private service providers who can invest and provide appropriate technology to MSMEs. Subsidies should be attractive enough to compensate for the costs that may be incurred. In addition, policies such as minimum local content policies should be applied to motivate BDS providers to render services to SMEs, particularly micro and small enterprises.

Furthermore, BDS providers should make effective use of formal and informal organizations as well as public actors such as ministries in raising awareness of BDS providers' functions and expertise in business development. This is because information provided by public entities is perceived to be credible to service users. Media can be

highly useful in sharing user experiences of specific services and service providers. Public actors such as Ministry of Industry and Trade might outline ways to support MSMEs in raising the level of awareness of the significance of BDS providers amongst less experienced enterprises and develop channels through which MSMEs can make their needs known to BDS providers.

In addition, to create competitive advantage, MSMEs need to enhance adoption of knowledge management practices and technology to strengthen their absorptive capacity at individual and firms levels.

This paper also recommends to MSMEs to develop a keen interest and awareness towards services provided by BDS providers and also use external as well as internal ideas; especially those from key customers, suppliers, competitors, research organizations and market; to accelerate innovation and develop their enterprises.

This suggests that policy-makers need to reconsider the role of knowledge management practices regarding the development of absorptive capacity in MSMEs for identification and exploitation of business opportunities in changing economies.

4.5.3 Theoretical implications

The paper employed three theories which are the Absorptive Capacity Theory (ACT), the Knowledge Management (KM) and System Theory (ST). These theories were employed in objectives one and three to examine capacity of MSMEs to absorb, utilize BDS and the process of BDS absorption in MSMEs. The ACT examines the capacity of MSMEs and the resources they need to absorb BDS. Its dimensions were also used to examine the

process of BDS absorption in MSMEs. The other theories KM and ST are based on the principles of managing resources and flow of knowledge within MSMEs.

KM asserts that, in order to achieve organizational competitive advantage, the organization should strive to invest in knowledge management practices because it is a crucial element for organizational learning. The study applied the theory in determining whether there is any learning pertaining to BDS absorption processes in studied MSMEs. It is considered that for BDS absorption to occur there should be concerted efforts to manage knowledge.

Based on the ST grounds, the formal structure of MSMEs supported employees to access and utilize BDS. The study suggests that the existence of MSMEs structures is crucial in supporting BDS absorption process within MSMEs. It was evident that, medium enterprises had established structure which influenced high absorption of BDS compared with other enterprises (micro and small). Therefore, this study suggests that effective absorptive capacity process in MSMEs is influenced by KM and system.

4.6 Research Limitations and Areas for Further Research

The research has its own limitations and needs further investigation into the field of absorptive capacity and knowledge management in MSMEs. First, the topic of the research still experiences lack of empirical studies from Tanzania, which is an obvious gap in the current literature of this study. The role of absorptive capacity and technology in knowledge management in MSMEs has not been well-researched. Therefore, future researchers should consider venturing in this area.

Second, this study did not measure absorptive capacity influence on performance of MSMEs directly as it was assumed that effective absorptive capacity will necessarily result in MSMEs performance. However, the correlation between the absorptive capacity and KM application and their impact on MSMEs must be considered as an important area for future research.

Third, it is unfortunate that there is no universally accepted application and measurement of absorption capacity. Furthermore, application and working usage of the concept of absorptive capacity in different fields and various levels of analysis have led to confusion in its measurements, determinants and effects on various factors which are assumed to determine capacity of MSMEs to acquire resources. Measurement and operation of absorptive capacity have to be considered in future research.

Finally, the respondents represented various MSMEs and industries in the study area, but were restricted to the Northern Zone of Tanzania, bringing up the problem of generalization. The findings from the sampled MSMEs might not apply to other firms. Therefore, a larger and more heterogeneous set of organizations in other zones should be analyzed in order to replicate the findings of this study.

Despite these limitations, the insights from this study will inspire other researchers and scholars to use the findings as a basis for future studies.

4.7 References

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CHAPTER FIVE

5.0 General Discussion

This study assessed the capabilities of Business Development Service Providers (BDSP) in service delivery to Micro, Small and Medium Enterprises (MSMEs) in Arusha City and Moshi Municipality, Tanzania. The research issue of concern was increased to include challenges facing MSMEs growth and development in Tanzania, questioning the capability of BDS providers in service delivery. To be able to address the problem three specific objectives were addressed. The study thus specifically assessed the effects of BDS providers resources endowment on service delivery to MSMEs; assessed BDS delivery pathways used by business development service providers to deliver their services to MSMEs in the study area; and determined absorptive capacity of MSMEs in accessing and utilizing BDS. Three manuscripts forming three chapters in the thesis emanated from the mentioned study. The following subsections present a summary of major findings and conclusions of the three manuscripts of this study.

5.1 BDS Providers' Resources Endowment and Their Capabilities in Delivering

Service to MSMEs

The results indicated that BDS providers hardly have sufficient resource endowment to deliver BDS to MSMEs in the form of human capital, physical resources, networking ability 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 reported challenges facing BDS providers were MSMEs' slow rate of adopting new knowledge and technology and insufficient financial and human resources and geographical location.

MSMEs were highly satisfied with BDS providers' staff competence and accessibility to their services although they were not satisfied with the costs for purchasing the service and increased business operation costs. Increased business operation costs were caused by other factors which were beyond the control of both MSMEs and service providers such as uncontrolled premises rental costs, fluctuating transportations costs, raw material costs, and unstable and ~~unfix~~ fluctuating pricing of farm products.

Despite the ~~of~~ inadequate resources endowed, the impact of BDS delivered to their MSMEs varied from enterprises to another one due to the capacity of their MSMEs to access and utilize delivered services. For example, MSMEs reported different impact such as increased ability to access inputs and loan, increased ability to run their businesses and use of technology, increased yield and business diversification.

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 MSMEs. The study recommends that BDS providers capitalize on their resources to be in a better position to provide competitive services.

5.2 BDS Providers' Service Delivery Pathways to Micro, Small and Medium

Enterprises

The study brought to light a number of pathways used to deliver services to MSMEs namely training, seminars and workshops, incubation and vocational training, technology demonstration centres, trade fair exhibition participation and consultancy service. These pathways varied from one BDS provider to another one based on several reasons such as who initiate the services, type of services, nature of clients and capability of BDS

provider. The study revealed that the most preferred service delivery pathways by service providers were training, seminars and workshop, technical demonstration centres and trade exhibitions; these were easier to organize and involve many of their clients. The findings also imply that it is difficult to determine the most appropriate pathway to follow in delivering BDS to MSMEs. This is because, in some cases, BDS providers use more than one delivery pathway.

Despite the existence of multiple pathways, the study revealed a lack of generic service delivery pathways since each BDS provider had its own focus and worked independently while MSMEs challenges and needs differed from one enterprise to another. This shows that the choice of the service delivery pathway was mainly decided by service provider perception on the type of support to be delivered and their organizational objective to be achieved.

These findings also show that the majority of BDS providers were private entities and mainly provided market access, provision of input supply, and alternative financing to MSMEs. This implies that most of services providers in the study area are market oriented. However, there was significant difference with regard to public BDS providers doing better in provision of infrastructure development and policy/advocacy. It implies that public BDS providers focus on provision of these kinds of BDS because they are long lived and capital intensive and are not affordable by private BDS providers.

Various cost recovery strategies were used by service delivery organizations, but were not exactly specific for any BDS delivery pathway. Most of BDS providers used market-based approaches, specifically private BDS providers and microfinance organizations. Market based approach ensures sustainability of BDS and continuity of supply of inputs

and services to clients. The most used cost recovery strategies were fees charged in form of cash or recovered through registration and certification of business. The least used strategies were charges in terms of interest, whereby costs were recovered from lending income micro-finance institutions rental charges on premises, overhead charges/ bills (water, power), government subsidies and tax.

The findings established that the majority of medium and small enterprises paid for BDS received, while only few of micro enterprises paid for the services. It was learnt that micro and small enterprises were willing to pay for BDS accessed through microfinance organizations because of their keen interest in credit for development of their businesses. Likewise, MSMEs were willing to pay for BDS which were tangible and had short term impact such as agricultural inputs and machinery. The finding suggests that intangibility nature of most BDS involves unforeseen risks therefore requires trustworthy relationship between the two parties, BDS providers and MSMEs.

Some BDS providers reported that their market research was primarily informal because of insufficient resources to conduct formal market assessments. However, BDS providers relied on information collected from weekly meetings held with clients which provided them with a good understanding of beneficiary needs. Furthermore, it was observed that supply driven approaches that emphasize on implementation of service providers' objectives were used by most BDS providers engaged in microfinance since their services aimed at profit making.

Moreover, the study established that only few BDS providers involved MSMEs in development of their services or training contents. However, there were complaints about most of the training being repetitive. Consequently, trainings were delivered at times

convenient to the service providers rather than to the entrepreneurs. In most cases there were more formal and classroom based trainings rather than learning by doing; only few of them such as SIDO, VETA, and CAMARTEC involved their clients in learning by doing trainings. The findings illustrate that the BDS providers use supply driven approaches which exclude MSMEs in participating in the process of designing and development of BDS packages; this may leave out some of MSMEs needs.

The study concludes that MSMEs in the study area are largely denied effective participation in the processes that they should be guided by, and they are likely to benefit from. Therefore, it is unlikely that BDS providers will be able to meet the needs and an expectation of MSMEs as active participation of MSMEs is minimal, which may contribute to documented challenges facing SMEs.

5.3 Absorptive Capacity of Micro, Small and Medium Enterprises to Acquire and Utilize BDS

The third objective was to determine MSMEs absorptive capacity. In this regard, the study examined capacity of MSMEs to access and use provided BDS to develop their enterprises. The study findings indicated that the majority of MSMEs managers had secondary education and an experience of one to three years in business management. Also, the majority of enterprises were micro with capital of < 5million TZS and < 5 employees. The findings that the majority of MSMEs had capacity to identify appropriate BDS to meet the needs of their enterprises although an experience of 1-3 years in business management, may impair their capacity to adopt new knowledge timely. The findings also show that the majority of enterprises were micro enterprises. Their small capital depicts low investment and therefore low ability to access and apply

BDS for innovation. Although they can access BDS through sponsored trainings, incubators and networking, and that allows sharing of resources and information.

Moreover, it was learnt that only 39.8 % of MSMEs accessed BDS from public service providers. Despite the efforts made by the government by providing incentives to public BDS providers, access to BDS from public BDS providers remains low due to a number of factors including uncoordinated supply of information and lack of information on available BDS for some MSMEs and even absent for others. It is worth noting that insufficient support and less accessibility of public BDS may impair development of micro and small enterprises because of their low ability to purchase services from private service providers.

5.3.1 Knowledge acquisition process

The study established that, generally, the majority of the studied SMEs accessed BDS from private service providers and other sources such as {browsing the internet, newspapers, participating in trade fairs} apart from BDS. Low accessibility to public BDS providers suggests that, with time, insufficient support and less accessibility of public service may lead to slow or underdevelopment among MSMEs.

The findings also indicate that most of medium enterprises accessed BDS from private service providers compared to micro and small enterprises. This capacity is attributed to availability of finance and high proportion of qualified human capital that are receptive to new ideas and has more exposure to external environment compared to micro and small enterprises. Medium enterprises had structured and coordinated structure to access, share and use external knowledge through clear rules and processes. The capacity of medium enterprises was influenced by financial capacity and experiences of their staff in running

business. Most of the micro and small enterprises appeared to be uncoordinated and struggling to access BDS, some of them depending on district councils to link them with BDS providers. These findings indicate micro enterprises' low capacity in accessing BDS from private service providers.

5.3.2 BDS knowledge sharing process

Knowledge sharing was evident in medium enterprises. Acquired BDS were shared through meetings, mails, memos, telephone and meetings. Micro enterprise had low social interaction because of low number of employees, limiting formal organization structure for information sharing. The findings indicates that BDS knowledge sharing process is influenced by human capital, organization size and structure which increased the ability to communicate and motivate employees to absorb it. These findings imply that in micro enterprises, organization's knowledge management system is owned individually, which makes the process of sharing and utilizing acquired BDS relatively problematic. With this kind of enterprises, individual experience is rarely shared with each other, and therefore low added value from their knowledge.

5.3.3 BDS knowledge application process

In most MSMEs, positive application of BDS knowledge acquired was reported such as increase in yields of vegetables and watermelons as a result of attending training and use of improved seeds. Spice-selling respondents revealed that there had been increased monthly sales (an increase in monthly sales from 15 kg to 50 kg), and this was after attending SIDO training. A veterinary store owner also revealed that he diversified his business and hence managed to sell dog breeds and dog, food following knowledge application from training offered by BDS providers. Among poultry entrepreneurs, introduced modern poultry cages helped them reduce the number of infections.

These findings show that MSMEs were capable of utilizing BDS in development and improvement of various products. This implies that absorptive capacity is important in development and growth of MSMEs. Due to the findings, it is concluded that effective and successful access and use of BDS requires the capacity of SMEs, as well as internal resources since they both affect the extent to which new knowledge can be accessed and applied by MSMEs. Thus, without a sufficient level of internal resources capacity, the absorption capacity of MSMEs can be very limited in impacting MSMEs productivity and growth.

5.4 Theoretical Reflection

The study employed six theories which are Resource Based view (RBV), Knowledge Management (KM), Service Marketing (SM), Relationship Marketing (RM), Absorptive Capacity (AC), and System Theory (ST). The use of the six theories was based on the fact that no single theory could suffice to guide the study to adequately address all its specific objectives. The Resource Based View and Knowledge Management theories were employed in the manuscript which addresses the first objective of this study. The RBV examines the capability of resources endowment of organizations. It suggests that, if an organization possesses adequate and capable resources, then they can influence capability of organization to perform its activities. This implies that capability of BDS providers to deliver their services depends on strength and interaction of their resources. Therefore, influence MSMEs performance. It also established relationship which exists between BDS providers' resources endowment and their effects on MSMEs output.

The second theory, Knowledge management, asserts that knowledge can be utilized under different forms and integrated by various sources in production process without decreasing its value. The study applied the theory as the key factor that supports BDS

providers to integrate resources and link them with others within and outside their organizations. Ability to acquire and utilize knowledge makes BDS capable of delivering service. Knowledge creation and application require resources necessary to put ideas into practice. Therefore, provision of right organizational structure, staff motivation and engaging in activities supported knowledge sharing, application hence contribution to organizational capability to delivery services to clients.

Service Marketing was applied in the second objective featuring in the second manuscript. The theory emphasizes on service production, pricing, and distribution. The marketing concept begins by identifying the needs of the market they want to serve and segmenting it potentially and profitability to meet the needs of clients. Effective service delivery occurs when the need is known, and development of relevant service is done. In this study the theory was used to identify BDS development process undertaken by BDS providers. The theory emphasizes on the necessity of BDS providers to involve MSMEs in needs identification process and segmentation of groups of MSMEs they want to serve, based on their capacity to pay for the services. Knowing MSMEs needs and expectations towards services is a starting point for designing their marketing-mix strategies. The process is crucial because it helps in planning for marketing mix such as pricing, type of service to provide, promotion strategies and delivery pathways. The study findings indicate minimal involvement of MSMEs in the process i.e. needs identification, development of BDS and distribution (delivery). This translates observed challenges facing MSMEs performance. The study confirms the service marketing theory which emphasizes on clients' involvement in service development.

The second theory used in this objective is Relationship Marketing emphasize which focuses on cooperative relationship between service providers and consumers to create superior value for both. The theory argues that consumers experience and satisfaction

with a service is an outcome of an interaction relationship between the two, service provider and consumer. The theory was used to access various interactions in development and delivery of BDS. The study established minimal relationship between service providers and MSMEs in development and delivery of BDS. This implies that BDS providers use supply driven approach which excludes MSMEs in participating in the process of designing and development of BDS packages; this may result in leaving out some of MSMEs needs. This situation may partly explain why few MSMEs access BDS and hence have limited growth.

The objective of this study featuring in the third manuscript makes use of Absorptive Capacity Theory. The theory stresses on competence of organization to recognize the value of new external information, access and use it for commercial purposes. A theoretical insight from this theory was used to examine capacity of MSMEs resources and establish absorptive capacity process in MSMEs in accessing and utilizing BDS from various providers. The study established that the majority of MSMEs were able to access and utilize BDS, the result which featured in developed products, services and processes. Thus, since there were outcomes of various BDS utilized, the findings confirm the theory. This implies that MSMEs with enough business capital, capable human capital and supportive business system are in a better position to access, utilize BDS and introduce new processes, products and services in the market. Therefore, the process of absorptive capacity is facilitated by coordination and integration of firm's internal resources, human, finance, and firm structure.

System theory was the second theory applied in this objective. The theory focuses on organization interaction with its external surroundings to access various inputs in terms of resources or knowledge for its development and growth. Since the surrounding is dynamic and constantly changing, it causes uncertainty on what organization must do to survive.

Therefore, knowledge is regarded as one of the very important inputs for dealing with uncertainty and survival of organizations. This study applied the theory to identify MSMEs' resources and their capacity to interact with external environment for support. MSMEs are seen as a system built by various resources from within and from their surroundings. As any other system, they are faced with uncertainties and challenges; therefore, they need various resources and information to combat them. The study findings presented capacity of MSMEs resources in accessing and utilizing BDS. As such, the study confirms the theory which stresses that a system is a set of interrelated resources which accesses inputs from its surroundings and translates them into commercial outputs.

Based on the results of the empirical research, a general highlight is given on what contribution has this thesis made to the theories;

The study has applied six theories namely the Resource Based view (RBV), Knowledge Management (KM), Service Marketing (SM), Relationship Marketing (RM), Absorptive Capacity (AC), System Theory (ST). The study has confirmed the importance of resources endowed of organization and their influence on capability of BDS to deliver services. Moreover, Marketing theory and Relationship Marketing theory insist on the need to build relationship, trust and involve clients. As such, this study affirms to the Service Marketing and Relationship Marketing Theories by positing that, for BDS delivery to have meaningful outcomes, it should focus on building relationship and trust with clients and, where possible, involve them in the process of BDS development.

Moreover, the study confirms the Absorptive Capacity and System Theories by arguing that the competence of MSMEs to access and utilize BDS depends on capacity of their resources. The study observed that most of the studied MSMEs had capacity to access and utilized BDS to develop various products and services.

CHAPTER SIX

6.0 General Conclusions and Recommendations

6.1 General Conclusions for Different Objectives

6.1.1 Addressing the capability of resources endowed by BDS providers

Considering challenges associated with service delivery, it is recommended to BDS providers to devote more attention to development and improvement of their resources. 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 take deliberate efforts to enhance absorptive capacity of employees for new ideas and value of education in generating alternative and effective solutions for their clients. Moreover, they should actively promote and improve knowledge management practices to enhance efficiency and effectiveness in their organizations.

6.1.2 Addressing BDS providers service delivery pathways to Micro, Small and Medium Enterprises

To strengthen and enhance BDS providers' service delivery pathways, it is recommended to BDS providers executives to ensure service delivery pathways that are clients oriented. BDS programme design and delivery should be based on the understanding of existing markets in order to effectively identify weaknesses and opportunities and to pinpoint local mechanisms for service delivery and realistic intervention to meet MSMEs needs.

Moreover, MSMEs should make efforts to get involved in issues concerning their challenges by seeking consultation. Intimate understanding by BDS providers of their beneficiaries will have a significant impact not only on the types, relevance and impact of their services but also on the sustainability of the approaches they take and actual services

they deliver. In relation to this, BDS providers must be equipped with practical business knowledge so that their advisory services are more realistic and able to convince SMEs.

It is recommended that the supply of BDS be determined by the market and that demand be shaped by a clear understanding of the needs of MSMEs. However, market failures can occur where MSMEs do not get the services they need. These market failures are usually a result of lack of information, trust between the parties and financial deficiencies among service users.

The study suggests that policy makers should consider establishing guidelines which will be used to guide delivery of BDS. The government should be advised to subsidize private BDS providers services until MSMEs served become sustainable to pay for the services. MSMEs vary on financial capacity, social environmental context and needs; BDS providers are advised to design BDS in accordance with MSMEs purchasing capacity. This can be achieved through sharing and involvement of MSMEs in needs assessment and BDS development.

Furthermore, the study recommends the need for continued advocacy for strategies which can facilitate MSMEs involvement in BDS designing and delivery process. The advocacy strategy should articulate the required actions to promote the process. Depending on the nature and needs of MSME, such strategies are expected to mitigate the costs and maximize BDSPs' benefits, as well as improve the levels of SMEs involvement in BDS delivery process to ensure sustainable MSMEs development. Such strategies should include MSMEs capacity building and use of appropriate participation methods. Also, for practices involving costs recovery, all concerned parties should be involved. BDS providers need to take initiatives by communicating costs incurred in development of

services with MSMEs. Collective understanding will motivate MSMEs to pay for the services.

6.1.3 Addressing absorptive capacity aspects of MSMEs

In order to increase absorptive capacity aspects of MSMEs, it is recommended that MSMEs should develop internal capacities through training and exposure meetings to acquire capacities to identify new knowledge and productive BDS. Likewise; they should strengthen operations and structure of their enterprises to enhance effective relationship with external environment.

This study also recommends to MSMEs to develop keen interests and awareness of services provided by BDS providers and also use external as well as internal ideas especially those from key customers, suppliers, competitors, research organizations and market to accelerate innovation and develop their enterprises.

In addition, to create competitive advantage, MSMEs need to increase adoption of knowledge management practices and technology to strengthen their absorptive capacity at individual and firms levels.

Furthermore, BDS providers should make effective use of formal and informal organizations and public actors such as ministries in raising awareness of BDS providers' functions and expertise in business development. This is because information provided by public entities is perceived to be credible to service users. Media can be highly useful in sharing user experiences of specific services and service providers. Public actors such as Ministry of Industry and Trade may outline ways to support MSMEs in raising the level of awareness of the significance of BDS providers amongst less experienced enterprises

and develop channels through which MSMEs can make their needs known to BDS providers.

The government should also provide subsidies for private service providers who can invest and bring in appropriate technologies to MSMEs. Subsidies should be attractive enough to compensate for the costs that may be incurred. In addition, policies such as minimum local content policies should be applied to motivate BDS providers to provide services to SMEs particularly micro and small enterprises.

6.2 Policy Recommendations

There has been a concern among MSMEs that there is lack of vital information from BDS providers. Therefore, there should be a coordinating body and clear policy to guide BDS providers in service deliver to MSMEs. While this is an appropriate and right call, the overview assessment of the MSMEs policy established on 2003 does not clearly address and hold BDS providers accountable for service delivery to MSMEs. This study, therefore, recommends to the SMEs policy makers to consider reviewing the current policy to ensure a tangible and comprehensive component that provides a strategic approach to provision of BDS by public and private service providers. There should be establishment of BDS providers' performance appraisal systems among their executives. The policy should also be regulated in order to systematically determine service providers' costs, benefits and social impacts. The review should also incorporate a component in which related policies such as the Science, Technology and Innovation (STI) policy in Tanzania can coherently work and be translated into practical application at BDS providers and MSMEs levels.

Policy makers need to reconsider the role of knowledge management practices regarding the development of absorptive capacity in MSMEs to identify and exploit business opportunities in changing economies. In addition, policies such as minimum local content policies should be applied to motivate BDS providers to provide services to MSMEs particularly micro and small enterprises.

6.4 Contribution to Literature

This study has provided some empirical insights on the areas of focus and or future improvement to the MSMES policy of 2003 particularly on the business development service delivery standards and guidelines for service provision; such aspects are currently inadequately addressed.

This study adds to the existing literature on capabilities of BDS providers in BDS delivery in the sense that resources availability alone is not sufficient to enable successful service delivery, unless MSMEs are willing to access and utilize the delivered services. This implies that, for BDS providers to be able to undertake successful BDS delivery, capacity of MSMEs to access and utilize such services must be considered.

Besides, the study revealed that BDS providers are primarily mandated to support MSMEs were less organized in terms of service delivery; most BDS providers work independently and with no guidelines. The findings need future consideration in future review of MSMEs Development Policy, to ensure that issues related to BDS delivery are incorporated as part of the policy improvement.

6.3 Areas for Further Research

The study was limited to only BDS providers despite the fact that there are other business support providers that support MSMEs in Tanzania. A more inclusive research covering and comparing other business support providers firms supporting MSME is advised in future to establish resources endowed and their capability in service development and delivery to MSMEs.

The study was limited to assessing MSMEs absorptive capacity process. A more comprehensive study is recommended to establish how absorptive capacity influences MSME.

Moreover, the study adopted a qualitative approach to explore ideas, opinions and experience in depth. A quantitative approach is recommended in future so that the study can be quantified and data transferred to usable statistics. Such a study is likely to enrich and complement the current study by informing more diversely on the capabilities of BDS providers in delivering services to MSMEs.

APPENDICES

Appendix 1: Business development service providers sample size

Sample size determination formula proposed by Yamane (1967)

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

Whereby:

n = sample size

N = Population size

e = level of precision

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

$$n = 65$$

Appendix 2: Small and medium enterprises sample size

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

Whereby:

n = sample size

N = population size and

e = level of precision (sampling error)

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

$$n = 254$$

Appendix 3: Key informants interview guide for BDS providers' executive officers informed consent

My name is.....from I am conducting a study to learn about Capabilities of Business Development Service Providers on service delivery to Small and Medium Enterprises. You are kindly requested to participate in the study. This interview will be kept strictly confidential. Your names will not be exposed anywhere, unless you permit me to do so. Your participation is voluntary, but your experience could be very helpful to this study.

SECTION A: ETHICAL ISSUES

Ethical question	Yes	No
2. Do you agree to be interviewed		
3. Is it good to talk in private		
5. Is this place comfortable for interview		

SECTION B: SOCIAL AND DEMOGRAPHIC INFORMATION OF RESPONDENTS

1. What is your position in the business?

1. Owner

☐

2. Manager/Director/ CEO

☐

2. What is your highest educational qualification or nearest equivalent?

1. Primary

☐

2. Secondary

☐

3. Certificate

☐

4. Diploma

☐

5. Bachelor degree

☐

6. Master's/PhD degree

☐

Organization history

1. Organization name and year of establishment	2. Type	Contact Info
	1. Government <input type="checkbox"/>	Phone:
	2. Private <input type="checkbox"/>	E-mail:

3. Which Business Development Services are delivered by your organization?

.....

A. Staff Composition and Competence

4. How many employees are currently working in your enterprise?

	1) Male	2) Female	3) Total
Permanent full time employees			

5. How many of those have:

	University education 1	Technical school education 2	Secondary education 3	Primary education 4	No formal education 5
1. Management staff					
2. Semi-skilled workers					
3. unskilled workers					

6. What professions are available in your organization?

1.Professions	2.Number of employees	3. Activities performed

7. Is the number of key staff adequate?

1. Yes ☐
2. No ☐

If response for Q 10 is no

8. How do you manage the deficit of staff?

9. How does management acquire skills necessary to provide BDS to clients?

10. How does your organization identify its customers' demand/ needs

11. How do you involve your clients in development of BDS?(needs assessment etc)

12. Is there any criteria required from customers to acquire service from your organization?

A. Physical technical systems (equipment, software, data base,)

13. Method of services (knowledge or technology) delivery

a. What approaches and mechanisms do you use to transfer BDS to your clients?

b. For the mechanisms used to transfer knowledge to your clients, which is one is more preferred and why?

Tangible resources		
	Physical resources	
1	Building and other physical structures	
2	Technological investments -Computers -Internet -Data base	
3	Unique destination/location	
	A. Information system	
4	Networking	

13. Do you have standardized guidelines on how to support and offer services to SMEs?

- 1.Yes ☐
- 2.No ☐

If Yes, what are they?

14. If No, what do you use as a guideline to deliver your services to SMEs?

15. How are your operations financed?

16. How do you recover the costs for providing the BDS?

17. Services provided in past three years

Business Development Services (BDS)	Total number of SMEs reached	Business Development Services (BDS)	Total number of SMEs reached
1. Training and technical assistance <ul style="list-style-type: none"> • Mentoring • Feasibility studies and business plans • Exchange visits and business tours • Franchising • Management training • Echnical training • Counseling/advisory services • Legal services • Financial and taxation advice • Accountancy and bookkeeping • Others (<i>Please specify</i>) 		4. Input Supply <ul style="list-style-type: none"> • Linking small enterprises to input suppliers • Improving supplier's' capacity to provide regular supply of quality inputs • Facilitating the establishment of bulk buying groups • Information on input sources • Others (<i>Please specify</i>) 	
2. Market access <ul style="list-style-type: none"> • Marketing businesses • Market linkages • Trade fairs and exhibitions • Development of samples for potential buyers • Market information • Subcontracting / outsourcing • Marketing trips and meetings • Market research • Market space development • Showrooms • Packaging • Advertising 		5. Product development <ul style="list-style-type: none"> • Technology transfer • Linking small enterprises and technology suppliers • Facilitating technology procurement • Quality assurance programs • Equipment leasing and rental • Design services • Others (<i>Please specify</i>) 	
3. Infrastructure <ul style="list-style-type: none"> • Storage and warehousing • Transport and delivery • Business incubators • Telecommunications • Courier services • Money transfer • Information through print, radio, tv • Internet access • Computer services • Secretarial services • Others (<i>Please specify</i>)----- 		6. Alternative financing mechanisms <ul style="list-style-type: none"> • Factoring companies • Equity financing • Facilitating supplier credit • Others (<i>Please specify</i>) 	
7. Policy advocacy <ul style="list-style-type: none"> • training in policy advocacy • analysis of policy constraints and opportunities • direct advocacy on behalf of small enterprises • sponsorship of conferences • policy studies 			

• Others (<i>Please specify</i>) _____ _____			
--	--	--	--

18 What is your view in regards to the capability of your clients to utilize your services?

19. What are the biggest difficulties you face in providing business development to support to clients?

20. Networking

Indicate those external organizations with which you have links (please tick):

- | | |
|--|--------------------------|
| 1. Chamber of Commerce | <input type="checkbox"/> |
| 2. Consultants and experts | <input type="checkbox"/> |
| 3. Patent and Trademark Attorneys | <input type="checkbox"/> |
| 4. Banks and / or credit organizations | <input type="checkbox"/> |
| 5. Research institutions | <input type="checkbox"/> |
| 6. Government Departments Agencies | <input type="checkbox"/> |
| 7. Other Development Organizations (<i>Please specify</i>) | |
| 8. Professional Associations (please specify)..... | |

21. For the above external organizations with which you have links with, will you please describe the nature of collaboration

THANK YOU FOR TAKING THE TIME TO COMPLETE THE SURVEY.
YOUR RESPONSES ARE VERY VALUABLE TO THE SUCCESS OF MY STUDY.

Appendix 4: Observation Guide BDS providers

S/N	Items/things to be Observed
1	Available resources
2	a. Human Resources Number of workers in place Qualification Experience Full time/ part time/ volunteers b. Physical Resources Premises (own/rented)Working ground/ field Office equipment(computers/ vehicles, devices, others) c. information system d. networking
3	Training manual
4	Service delivered (inputs ...if any)

Appendix 5: Focus Group Discussion (FGD) Guide (For SMEs owners/ managers)

1. What are some of obstacles faced in accessing BDS?
2. Where do you access information and support for your business?(market information/loan/packaging)
3. After attending training or trade fair, how do you communicate/ share what you learnt with your team?
4. How do you apply what you have learnt? (elaborate, referring to question 2)
5. What are some output/ tangible/intangible examples of application of what you learnt? (observation if there are goods or services developed)
6. Do you think you think, BDS providers are capable in facilitating development of your enterprises
(If yes/no....let them elaborate)
7. How do BDS providers involve you in identification of your needs and development of related services?
8. What is your advice to BDS providers/ government in regards to support provided?

Appendix 6: Research Questionnaire for Micro, Small and Medium Enterprises practitioners

This questionnaire is part of a survey being conducted in partial fulfilment of a PhD in Development studies degree at Sokoine University of Agriculture on the topic “***Business Development Services and Small and Medium Enterprises Performance***”. This information is purely for academic purpose and therefore its confidentiality is highly guaranteed. You are therefore kindly requested to provide accurate answers to all the questions. Your co-operation and support will be highly appreciated.

PART A: DEMOGRAPHIC INFORMATION OF THE RESPONDENT

1. Date of interview	2. Name of District	3. Name of enterprise

A. CHARACTERISTICS OF BUSINESS OWNER/MANAGER

4. What is your position in the business enterprise?

1. Owner

2. Manager

5. Gender :

1. Male

2. Female

6. Marital status

1. Married

2. Single

3. Widow

4. Separated

7. What is your HIGHEST educational level qualification or nearest equivalent?

1. Primary

2. Secondary

3. Certificate

4. Diploma

5. Bachelor degree

6. Master's degree

8. What is your age.....

B. EXPERIENCE AND SKILLS OF THE BUSINESS ENTERPRISE MANAGER

9. How many years' of experience do you have in your current business enterprise?

10. How many years have you been working in total in business enterprise?

11. Enterprise history and characteristic

	Years in business	
	1- 3 years	
	4- 6 years	
	7-9 years	
	Above 10 years	

C. AWARENESS AND USAGE OF BDS

12. Are you familiar with BDS?

1. Yes, I used their services

☐

2. Yes, but did not use their services

☐

13. There are a number of organizations that give different services to small business. Can you mention names of any organizations that give advice or assistance to small businesses in Tanzania?

Name of organization	Type /owner	
	1. Government	2. Private

14. How do you rate the quality of service/product received from BDS providers who have provided services to your business?

(Please rate 1 = “not satisfied at all” 2 = “Dissatisfied”, 3 = “Neutral”, 4 = “Satisfied”, 5 = “Very Satisfied”)

BDS	“not satisfied at all”	“Dissatisfied”	Neutral	Satisfied”	Very Satisfied
1.Training materials					
2.Staff competence					
3.Accessibility					
4.Response to needs					
5.Application costs					
6.Technical knowhow					

D. DEMAND, ACCESSIBILITY AND AVAILABILITY OF BDS

15. You indicated that you have used BDS, who initiated the service?

1. BDS provider

☐

2. SME practitioner

☐

16. What are the immediate effects of the BDS received?

17. What are the problems with getting access to BDS (at least 3 points)

18. On receiving BDS, how will you rate average growth of your business for the past three years (2013-2015)?

Business growth indicators	Significantly Decreasing 1	Decreasing 2	Remain the same (no change) 3	Increasing 4	Significantly increasing 5
1. Income /sales generated from the enterprise					
3. Number of employees					
4. Profit					
5. Savings					
5. Expenditure					

THANK YOU FOR TAKING THE TIME TO COMPLETE THE SURVEY.

YOUR RESPONSES ARE VERY VALUABLE TO THE SUCCESS OF MY STUDY.