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Article

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Business management review

Provided in Cooperation with:

University of Dar es Salaam (UDSM)

Reference: Okangi, Fred Phanuel (2023). Organisational capabilities influencing SMEs' export performance in Tanzania. In: Business management review 26 (2), S. 36 - 52.
<https://journals.udsm.ac.tz/index.php/bmr/article/download/6218/5004>.
doi:10.56279/bmrj.v26i2.3.

This Version is available at:

<http://hdl.handle.net/11159/701073>

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Organisational Capabilities Influencing SMEs' Export Performance in Tanzania

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To cite this article: Okangi, F. P. (2023). Organisational Capabilities Influencing SMEs' Export Performance in Tanzania. *Business Management Review*, 26(2), 36-52.
<https://doi.org/10.56279/bmrj.v26i2.3>

Abstract

Exports play an important role in economic growth as it leads to an increase in the country's economic performance through various sectors including small and medium enterprises. As a result, enhancing export performance among small and medium enterprises is very important because of the key roles they play in the economy. The study examined the organization's capabilities influencing SMEs' export performance in Tanzania using the Resource-Based View Theory and Network Model of Internationalization. Data were collected from 70 exporting SMEs in Tanzania and analysed using multiple regression. The study revealed that SMEs' innovation and product quality positively and significantly influence SMEs' export performance in Tanzania, while business networks have an insignificant influence. The findings imply that innovation and product quality are important in influencing SME exports in Tanzania's context. The findings indicate the need for SMEs in Tanzania to invest in innovation to have a competitive advantage in the export market, which will improve the quality of products produced, hence the increased performance of SMEs in the export market.

Keywords: *SMEs, Organizational Capability, Export Performance, Tanzania.*

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Introduction

Enhancing a country's export performance has become necessary to improve its economic performance (UNIDO, 2020). Exports are believed to play an important role in economic growth worldwide (Karedza & Govender, 2020; Chit et al., 2010). Export activity increases the country's foreign exchange and revenue reserves (Malhotra & Kumari, 2016). Most Small and Medium Enterprises (SMEs) prefer to use export as their entry mode to foreign markets, as it offers a greater degree of flexibility, minimal resource commitment and limits the firm's risk (Martineau & Pastoriza, 2016). Enhancing SMEs' export performance is very important because of their key role in the economy. SMEs account for the majority of businesses at a global level and are important contributors to job creation, economic development and exports. SMEs represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of emerging economies' national income (GDP) (World Bank, 2019). SMEs significantly contribute to innovation, regional development and social cohesion, which significantly contribute to the GDP, employment and exports (Mkenda & Rand, 2020; Rehman, 2016).

Despite the significance of export trade to SMEs and countries' economies, the exports of SMEs experience low performance in foreign markets across nations (Acikdilli et al., 2020; Mkenda & Rand, 2020; Paul, 2020). Export trade by SMEs has thus failed to meet the targets (Gupta & Chauhan, 2020). For example, in Sub-Saharan African countries (SSA), exports from the SME sub-sector account for only 10 to 15 percent of total exports from the region (International Trade Center, 2018). One of the things that may enhance SME export performance is organisational capability – i.e. the firm's ability to develop business networks, undergo innovation and improve its product quality to compete in international markets and improve its export performance (Luo et al., 2012). Andrews et al. (2015) define organisational capability as “accumulated knowledge and bundles of skills that enable a firm to make profitable and sustained use of its internal resources to achieve its objectives”. As indicated in the literature (e.g. Ringo et al., 2022; Kasema, 2022; Karedza & Govender, 2020; Luo et al., 2012), product quality, innovation, and business networks are among the aspects of organizational capabilities.

According to Ginting (2015), business networks refer to close and long-lasting relationship networks with important suppliers, customers, trade unions, competitors and government institutions. Innovation refers to implementing a new or significantly improved product (good or service), process or business function, such as marketing methods, organisation changes, or external relations (OECD, 2005). According to Hanaysha and Abdghan (2016), product quality can be defined as the ability of the product to meet customers' expectations, leading to trust and commitment. Other organizational capability factors that predict export performance are technology, managerial knowledge, experience, attitude, and market information (Kasema, 2022; Teece, 2017). According to Karedza and Govender (2022), other organizational capability factors influencing and determining the ability of a firm to export include efficiency, financial condition, and brand equity.

The SME sector in Tanzania is recognized as a crucial sector for job creation, income generation and stimulation of growth. The exports from SMEs contribute to economic growth, economic competitiveness and the firm's survival (Haddoud et al., 2018). It is estimated that

more than 3 million SMEs employ more than 5.2 million people in Tanzania, of whom 45% are located in urban areas and the remaining 55% in rural areas (URT, 2012; URT, 2003). Most (95%) of these SMEs are micro-enterprises that employ less than five people (UK Essays, 2018). In recognition of the importance of SMEs in the economy, the Government of Tanzania has established a strategy for industrial growth which focuses on creating strong SMEs that can penetrate export markets and establish strong linkages with large enterprises locally and internationally (Mkenda & Rand, 2020). The Tanzania government and other stakeholders have designed several programmes and institutions to support the development of the SME sector. For instance, the Small Industries Development Organization (SIDO) was established in 1973 by the Act of Parliament to plan, coordinate, promote and offer every form of support to SMEs. Moreover, there is an SMEs department in the Ministry of Industry and Trade focusing on promoting the growth of SMEs in the country.

Other institutions designated for promoting and supporting the development of the SME sector in Tanzania include the Export Processing Zone Authority (EPZA), Special Economic Zones (SEZs), Tanzania Chamber of Commerce Industry and Agriculture (TCCIA) and Confederation of Tanzanian Industry (CTI). Similarly, several government and donor institutions have been established to support enterprise development in Tanzania. These include MKURABITA aimed at empowering SMEs in the informal sector and Tanzania Trade Development Authority (TANTRADE) for providing information and consultancy services to potential exporters to effectively participate in the export trade.

Despite such initiatives established by the Government of Tanzania and other stakeholders to promote and improve SMEs' export performance, the contribution of SMEs in Tanzania to export earnings is still limited (URT, 2012; Mkenda & Rand, 2020). The available data indicate a low export performance of Tanzanian SMEs, with the overall export from the SME sub-sector of Tanzania ranging from 10 per cent to 15 per cent a year (Ringo et al., 2022; Mkenda & Rand, 2020; International Trade Center, 2018). In particular, the study intended to establish how business networks, innovation, and product quality, which are Organizational capabilities factors, influence the export performance of SMEs in Tanzania. The three factors constitute organizational capabilities indicated in the literature to greatly determine the export performance of SMEs elsewhere in the world (Hassan & McCarthy, 2011; Barney et al., 2001). Therefore, this study aimed to draw real-life experiences from owners and business managers of SMEs in Tanzania to determine how organizational capabilities influence export performance in the context of Tanzania.

Literature Review

Theoretical Framework

The Resource-Based View (RBV) is principally concerned with the source and nature of strategic capabilities. The RBV has an intra-organizational focus and argues that performance results from firm-specific resources and capabilities (Barney, 1991; Wernerfelt, 1984). From the theoretical perspective, the central concept of the RBV is that SMEs make progress and compete in the competitive markets on building blocks of their resources and capabilities (Barney, 1991; Wernerfelt, 1984). The basis of RBV is that successful firms find their future competitiveness in developing distinctive and unique capabilities, which may often be implicit or intangible (Teece et al., 1991). Thus, the essence of strategy is or should be defined by the

firm's unique resources and capabilities (Rumelt, 1984). Thus, the firm's ability to establish and sustain a profitable market position critically depends on the rent-generating capacity of its underlying resources and capabilities (Conner, 1991).

Organizational capabilities are a firm's capacity to deploy its tangible or intangible resources to achieve its objectives, including improving performance. Generally, organizational capabilities is 'the ability of an organisation to perform a coordinated set of tasks, utilising organisational resources, to achieve a particular result' (Inan & Bititci, 2015). Export refers to goods and services produced in one country and shipped/transported to another for selling or future trade. A country adds more value to its economy through exporting when it produces more goods for consumers outside its geographic border, thus adding more value to its gross output. Export performance is the relative success or failure of the efforts of an enterprise (firm) or nation to sell locally produced goods and services beyond the national borders (Faruk & Subudhi, 2020).

The RBV holds that competitive advantage and performance results result from firm-specific resources and capabilities that are costly to copy by other competitors (Barney, 1991; Wernerfelt, 1984; Rumelt, 1987). These resources and capabilities can be important factors for sustainable competitive advantage. That is, a firm exhibits good performance if it possesses specific unique characteristics that are valuable, rare, imperfectly imitable and non-substitutable (VRIN) (Barney, 1991). Using RBV, Hassan and McCarthy (2011) suggest that SMEs need to focus on developing their business networking to enhance both their innovation capabilities and their capabilities to meet export standards, leading to export performance improvement. Product quality and innovation offer a competitive advantage for the firm and enhance its export performance (Lages et al., 2009).

According to Ajay (2016) and Torkkeli et al. (2012), business networks are intangible resources SMEs may use to increase sustainable export performance. Lages et al. (2009) stress that firms should invest in relationship management capabilities to improve product innovation and quality, enhancing export performance. The theory was deemed useful in this study as it addresses the organisational capabilities of the firm focused on in this study: networks, innovation, and quality. According to RBV, these organisational capabilities have to be valuable, rare, imperfectly imitable and non-substitutable for a firm to achieve its performance goals, including export performance (Barney et al., 2001; Barney, 1991).

In studying the impact of organisational capabilities on SMEs' export performance using the Resource-Based View/Theory, Karadze and Govender (2020) found that distinctive capabilities such as networks, relationships, partnerships and strategic alliances with larger organisations have a positive influence on the export performance of SMEs in Zimbabwe. Hassan and McCarthy (2011), in their exploratory study using a Resource-Based View (RBV) to understand how a set of organisational capabilities can influence the export performance of SMEs in Malaysia, found that capabilities to develop business networking, innovation capabilities, and capabilities to meet export standards were crucial for Malaysian SMEs' export performance. The findings further exhibited a need for SMEs to focus on developing their business networking to enhance innovation capabilities to meet export standards, leading to export performance. A positive and significant relationship between the strategic capability dimensions and export performance was also found by Awang Tuah et al. (2021) in Malaysia.

Out of the five variables tested in the study, only innovation and technology capability positively and significantly impacted the export performance among SMEs in Malaysia. The empirical studies on the relationship between the organisational capabilities considered as independent variables in this study are innovation, networks, and product quality.

Hypotheses Development

Business Networks and Export Performance

Imran et al. (2017) empirically investigated the determinants of Pakistan's small and medium manufacturing enterprises' export performance. The study used a structured questionnaire with a seven-point Likert scale. The study used the Krejcie and Morgan table to identify a sample size of 45 SMEs. The structural model assessment was used to test the proposed hypothesis. The study found an insignificant relationship between the business network and SMEs' export performance in Pakistan. Stoian et al. (2017), on their part, investigated the relevance of inter-organizational networks for the international performance of the United Kingdom's Small and Medium-Sized Enterprises (SMEs) to the foreign market entry mode (FMEM). The study employed a multigroup Structural Equation Model (SEM) with AMOS (version 20.0). The study found that inter-organizational networks had an insignificant influence on international performance. The study (ibid.) further suggested that even though UK firms consider inter-organizational networks (decision makers) important, they play an insignificant role in the firms' international success.

Faroque et al. (2015) conducted a survey of 647 apparel exporters in the emerging economies of South Asia and Bangladesh using Structural Equation Modeling. The study employed AMOS software, version 20, to investigate the correlation between inter-firm networking and export performance. The study's research design was cross-sectional. The study found that both entrepreneur's inter-firm networking and personal were positively related to export performance. Ajay (2016) empirically assessed the relationship between the networking capability and the export performance of 235 Nigerian agricultural firms using a multiple regression analysis. Eventually, he found a strong positive relationship between networking capabilities and the SME's export performance in the Nigerian agricultural sector. The study (ibid.) revealed that agriculture SMEs' ability to innovate, take risks, manage their networking capabilities and be proactive directly affected their export performance (Ajayi, 2016).

Torkkeli et al. (2012) conducted a web survey of 298 Finnish SMEs representing five different industry sectors (food, meat, software, furniture and knowledge-based business services) to examine the influence of SMEs' network competence on SMEs propensity to internationalise and on their subsequent international performance. The study (ibid.) used Confirmatory Factor Analysis (CFA) and multiple regression models. The finding indicated that networks offered SMEs opportunities to internationalise successfully. The study found that higher levels of network competence are positively related to the propensity of SMEs to internationalise and their international performance. Therefore, in light of these contradicting findings across nations on the effects of business networks on the export performance of firms and the fact that the studies were conducted in other countries, the present study composed and tested the following hypothesis.

H1: Business networks positively influence the export performance of SMEs in Tanzania.

Innovation and Export Performance

Innovation is critical to creating new sources of growth in a business, especially an export business (Kiriya, 2012). Tekin and Hancioğlu (2018) conducted a study to determine whether innovation levels of developing countries impact their export performance. The study employed panel data analysis in 27 developing countries in the Global Innovation Index (GII) of 2016 from 2011 to 2015. The result showed that innovation in developing countries positively affected their export performance. Azar and Ciabuschi (2017) examined the influence of organisational innovations on a firm's export performance by employing structural equation modelling using data from 218 Swedish export Ventures. The findings from the study (ibid.) indicated a direct and indirect relationship between organisational innovation and export performance. They also found that process innovation leads to export market activities and further innovation (Azar & Ciabuschi, 2017).

Zucchella and Siano (2014) analysed the relationship between innovation and the export performance of SMEs in Campania Region in Southern Italy. The study employed stratified sampling to select its sample. Descriptive statistics and multiple regression models were used for data analysis using SPSS. The study reported a positive relationship between innovation and export performance. The study recommended that entrepreneurs and managers concentrate on determining and retaining strong ties with commercial and industrial partners to gain knowledge from partners and maximise their purchasing and selling opportunities. A study by Ribau et al. (2017) also examined the impact of internal innovation capabilities on the plastic manufacturing SMEs' export performance of 147 firms in Portugal using a Partial Least Squares-Structural Equation Modeling (PLS-SEM) technique. The study found that innovation capabilities positively influenced proactive SMEs' export performance. The study also revealed a negative impact on reactive SMEs' export performance.

Uyar and Oralhan (2017) examined the relationship between the innovation capability and the export performance of 83 firms in Kayseri, Turkey, using SPSS to perform multiple regression analyses. The study revealed a positive relationship between the innovation capability and the firm's export performance. D'Angelo (2012) examined the influence of innovation measures on the export intensity of Italian high technology small and medium firms using the Tobit Regression Models. The study found that product innovations and the turnover derived from innovative activities positively and significantly affected the export intensity of firms. A study by Palangkaraya (2012) empirically investigated the direction of causality between export market participation and innovation using firm-level data from Australia. The study found a statistically and economically significant relationship between exports and innovation in the current period. The study showed evidence that the current product innovator is more likely to become a new exporter in the current period. A study by Aziz and Samad (2016) focused on the relationship between innovation and competitive advantage in food manufacturing SMEs in Malaysia. A random sampling technique was adopted to sample 220 food-manufacturing SMEs. Descriptive and inferential analyses revealed a strong positive impact of organisational capabilities on the competitive advantage (Aziz & Samad, 2016). The study (ibid.) recommended that SMEs invest in innovation to gain a competitive advantage (Aziz & Samad, 2016). Against this backdrop and the lack of studies on business environments in Tanzania, the present study formulated and tested the following hypothesis.

H2: Innovation positively influences the export performance of SMEs in Tanzania.

Product Quality and Export Performance

Papageorgiou et al. (2019) explored the contribution of product-quality upgrading to the export performance of six fast-growing Asian economies: China, India, Indonesia, Malaysia, South Korea and Thailand from 1970 to 2010 by employing a Multisector Ricardian Trade Model which allows for changes in product quality. The study established that quality upgrading was a key driver of export shares. López-Rodríguez (2018) investigated the role of quality management systems on the export performance of Spanish wineries SMEs using Tobit Regression Models. He found that wine firms with the international standard certification (QMS ISO9000) had better export performance. The study analysis revealed that organisational resources related to the ISO 9000 standard of QMS were the critical factor for improved winery sales in international markets. Manova and Yu (2017) studied the relationship between the quality of products and export success in Chinese firms and found that quality upgrading was key to export success.

Imran et al. (2017) empirically investigated the determinants of small and medium manufacturing enterprises' export performance in the context of Pakistan from 45 Small and medium manufacturing firms. The study used a structural model assessment and found a positive relationship between total quality management and SMEs' export performance. Duvaléix-Tréguer et al. (2015) examined the impact of the quality label on the firm's export competitiveness in the cheese and cream industry. The study used firm-level data from French customs and an original dataset of firms and products concerned with protected designations of origin. The results of the study (ibid.) from econometric estimations depict that PDO labelling impacted both the extensive margin (the number of destinations) and the intensive margin of trade (the value of trade) and increased the average export unit value.

Likewise, Christian (2010) investigated the impact of product quality on export performance in five EU countries (Italy, France, Spain, Germany, United Kingdom). He studied 3 product categories (cheese, meat preparations, and wine), 3 export destinations (intra-European Union, extra-European Union, and the world), and 2 periods (1995–1999 and 2000–2005). The regression results showed that the product quality and export performance were connected depending on the product category (but not on the period) and differed (but not in all cases) according to the export destination (not all countries). In this background, the study formulated and tested the following hypothesis.

H3: Product quality capabilities have a positive influence on the export performance of SMEs in Tanzania

Methodology

A Positivism Research Paradigm (deductive approach) guided the researcher's formation and testing of hypotheses. The study adopted a cross-sectional survey design using a quantitative research approach. The study focused on SMEs located in the region. The study was conducted in Dar es Salaam because it is the largest commercial city in Tanzania, with many SMEs engaged in exportation compared to other places in Tanzania.

Small and medium-sized enterprises (SMEs) are defined as businesses that generate revenues, own assets, or employ several workforce below a certain threshold depending on the context of a country. In the context of Tanzania, the Ministry of Industry and Trade, through its SMEs Policy, defined SMEs based on the capital invested and number of workforce (URT, SMEs

Development Policy, 2023). According to this policy, small enterprises in Tanzania are those firms that have capital ranging from Tanzania Shillings 5 million to 200 million and the number of employees ranging from 5 to 49 people. As for the medium enterprises, the capital invested ranges from Tanzania Shillings 200 million to 800 million, and the number of employees ranging from 50 to 99.

The list of SMEs was obtained from TANTRADE database. Out of which, 732 SMEs were in the exportation. Dar es Salaam had 420 SMEs involved in exportation, equivalent to 57% of all SMEs exporting their products/services outside the country. However, the study considered only SMEs from Dar es Salaam that have been engaging in exporting business for at least three years and above as the study population. The timeframe was used because it is a normal in related previous studies (Ribau et al., 2017; Stonian et al., 2017; Aziz & Samad, 2016; Ajay. 2016). Similarly, three years is sample time for a firm to acquire experience, develop business networks, invest in innovation, and improve product quality. As a result, the study population employed for this study was 180 exporting SMEs in Dar es Salaam that were involved in the exports for atleast three years. All 180 SMEs were involved in the data collection as the number was small. The study gathered information from these SMEs using a structured questionnaire to owners or managers of all the 180 exporting SMEs. The questionnaire employed for this study were adopted from the previous studies on organizational capabilities (Awang Tuah et al. (2020; Hassan & Mc Carthy, 2011); and were modified to meet the context of current study by only considering three variables (i.e., business network, innovation, and product quality). However, at the end of the data collection, only 70 SMEs participated in filling out the questionnaires (39% response rate), which is acceptable in a survey as it is a statistically adequate sample to make valid conclusions and generalisations of the findings (Holtom et al., 2022).

In this study, the Five-Point Likert Scale was preferred as it had been widely used in earlier studies at the organisational level, and its numeric values allow for statistical analysis, and it has the strength of keeping a formal consistency throughout the study (Okangi, 2019). Imran et al. (2017) also employed the Likert scale to establish determinants of SME export performance in Pakistan. In this study, export performance was considered as the outcome of the firm's activities in its export markets. Thus, it was measured using export sales revenue, export sales volume in kilograms/tones/cartons and frequency/number of exports made by a firm. This approach was appropriate for this study as it has been used in other relevant studies (Karadze & Govender, 2020; Imran et al., 2017; Ribau et al., 2017; Stonian et al., 2017; Hassan & McCarthy, 2011).

In determining the extent to which a concept is accurately measured, the pilot test was carried out to test validity and adequacy of research instruments. The structured questionnaire was presented to ten respondents who were not included in the final stage of the study collected sample to avoid risk of unknown source of variation (Leon et al., 2011). After the pilot test, some modifications were made. In achieving the reliability of the study, Cronbach's alpha was employed to test the internal consistency of the variables and to show that the gathered data were reliable for quantitative analysis. Findings of Cronbach's alpha demonstrated that all variables met the recommended threshold of reliability of 0.7 (Saunders, 2012) as follows: export performance (0.897), business networks (0.930), innovation (0.945), and product quality (0.916).

The study employed multiple regression techniques to test the statistical significance of organisation capabilities on the export performance of SMEs in Tanzania. Statistical Package Social Science (SPSS) version 22.0 software program was used for the analysis. A regression analysis was conducted after computing the average scores of the dependent variable (export performance), which had 3 items, and the average scores of all independent variables: business networks, innovation, and product quality, which all had 9 items in order to capture a variable's overall effect (Stellefson et al., 2008).

Results

SMEs' Profile

Table I shows the profile of the 70 firms employed in this study. Among the 70 firms that participated in the study, 44 SMEs firms (62.9%) had been in the export business for between 3 and 5 years; 17 firms (24.3%) had been in the export business for between 6 and 10 years, and 9 firms (12.9%) had been in the export business for 11 years and above. The analysis shows that 47 firms (67.1%) were in agro-business – exporting raw agricultural products such as cashew nuts, coffee, avocado and cocoa. The remaining 23 firms (32.9%) manufactured textiles, cosmetics, and handicrafts. 90% of the SMEs were domestically owned, whereas 2 firms (2.9%) were owned by foreigners, and 7.1% were the joint ventures of natives and foreigners. Regarding size, 62 firms (88.6%) had 5-49 employees, while 8 firms (11.4%) had 49-99 employees. The analysis shows that 57 firms (81.4%) had 5-200 million TZS capital, which indicates that 81.4% of the studied firms were small enterprises, while 13 firms (18.6%) had 200-800 million TZS capital, which shows that 18.4% of the studied firms were medium enterprises.

Table I: SMEs' Profile

Profiles Details	Frequency	Per cent
<i>Years of Exporting</i>		
1-5	44	62.9
6-10	17	24.3
11 years and above	9	12.9
<i>Sector</i>		
Manufacturing	23	32.9
Agro-based	47	67.1
<i>Ownership</i>		
Domestically owned	63	90.0
Foreign-owned	2	2.9
Joint owned	5	7.1
<i>Number of Employees</i>		
5-49	62	88.6
50-99	8	11.4
<i>Capital Investment</i>		
5-200	57	81.4
200-800	13	18.4

Diagnostic Tests

In this study, skewness and kurtosis were employed to measure normality. Skewness and kurtosis absolute numbers were below 2 and 7, respectively, which signifies that all variables of the study were acceptable in terms of normality as the acceptable values of skewness and kurtosis fall between -2 to +2 and -7 to +7, respectively (Hair, 2010; Bryne, 2010).

Multicollinearity was tested by using the Variance Inflation Factors (VIF). The findings indicate that the VIF values for business networks, innovation and product quality were 2.773, 4.021 and 4.746, respectively, which are below 10; signifying that in this study, independent variables are not highly correlated (Mukaka, 2012; Krehbiel, 2004).

Regression Analysis

Model Summary

This part depicts a brief model summary. Model fit tests basically seek to determine the significance of R^2 . The significance of R^2 is achieved when the R^2 provides values that are different from zero (Mbura, 2007). Thus, as provided in Table II, the R^2 was used to measure whether the estimated regression line was generally significant. The results in Table II indicate the strength of a positive relationship between the SME's export performance and independent variables (business networks, innovation and product quality). The adjusted R^2 for the model is 0.620, implying that 62% of the variance in the SME export performance is significantly explained by the three variables (business networks, innovation and product quality capabilities); while the retained 38% can be explained by other variables not considered in this study.

Table II: Model Summary

R	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.798 ^a	0.620	0.43352	1.395

a. Predictors: (Constant), AVPROQU, AVBUSNET, AVINNOV

Hypotheses Test Results

Regression coefficient findings determined the significance and prediction of all variables (business networks, innovation and product quality) on the dependent variable (SMEs' export performance). As indicated in Table 5, hypothesis H1, that business networks positively influence SMEs' export performance is not supported. However, hypotheses H2 and H3, which proposed that innovation and product quality positively influence export performance were supported respectively.

Table III: Hypotheses Test Results

Hypotheses	β	t	p	Remarks
H1: AVBUSNET $\rightarrow$ AVEP	0.117	0.951	0.345	Not Supported
H2: AVINNOV $\rightarrow$ AVEP	0.349	2.347	0.022	Supported
H3: AVPROQU $\rightarrow$ AVEP	0.378	2.339	0.022	Supported

Discussions

This study examines the influence of SMEs' capabilities variables (business networks, innovation, and product quality) on their export performance. The results indicate that both innovation and product quality influence SMEs export performance while business network capability does not.

The finding that *business network does not influence* SMEs' export performance matches the previous findings by Imran et al. (2017), who found no relationship between business networks and SMEs' export performance. Nonetheless, the findings of this study are inconsistent with the findings of other scholars (Torkkeli et al., 2012; Faroque et al., 2017; Ajayi, 2016), who equally found a positive and significant relationship between networks and SMEs' export performance. The lack of relationship between business networks and SMEs and export performance may be because most SMEs in Tanzania are established locally and do not have strong formal connections with network participants, including intermediaries like agents and brokers in the foreign markets. As a result, this may lead for the SMEs of Tanzania not to have the relevant foreign information on what kind of products and the standards are demanded in the foreign markets. The limited business networks of the Tanzania's SMEs is attributed by the lack of exposure and experience that has lead most of them to focus in the local market as they lack sufficient and relevant foreign market information accessed through business networks.

The findings of this study indicate that innovation has a positive and significant impact on SMEs' export performance in Tanzania. These findings are consistent with the findings of other scholars (D'Angelo, 2012; Palangkaraya, 2012; Aziz & Samad, 2016; Azar & Ciabuschi, 2017; Uyar & Oralhan, 2017; Zucchella & Siano, 2014; Tekin & Hancioğlu, 2018)) who equally found a positive and significant relationship between innovation and export performance. These findings demonstrate how innovation is important in determining exports from SMEs in Tanzania. The innovations help identify consumer preferences, competition, distribution networks, rules and regulations about product standards, and other requirements in specific markets that positively influence the exports of SMEs. Innovation is important not only to Tanzania's SMEs but also to the SMEs operating in other countries. It allows them to create uniqueness in their products and gives them an edge in the markets, including foreign markets.

Regarding product quality the findings demonstrate the existence of a positive and significant relationship between product quality and SMEs export performance in Tanzania. These findings match previous works conducted across countries such as Papageorgiou et al. (2019), who found that quality upgrading is a key driver of export shares of six fast-growing Asian economies. Manova and Yu (2017) found that quality upgrading is critical to export success. Duvaléix-Tréguer et al. (2015) depicted that PDO labelling impacts export performance. Furthermore, Christian (2010) found a positive relationship between product quality and export performance. The findings are consistent with Imran et al. (2017) and AbdGhani et al. (2019), who found a positive relationship between total quality management and SMEs' export performance. These findings exhibit that the quality of products produced by SMEs in Tanzania determines their performance in the foreign markets as they meet the foreign market's requirements/standards. This is because the product quality reflects the firm's

competitiveness and helps SMEs capture market opportunities in the local and foreign markets.

Conclusion

The study investigated organisational capabilities' influence on SMEs' export performance in Tanzania. In particular, the study established the influence of organisational capabilities variables (i.e., business networks, innovation, and product quality) on the SMEs' export performance. Drawing on the results of this study, it can be pointed out that innovation and product quality are essential capabilities for SMEs' export success in Tanzania. This is because the study found that innovation and product quality variables influence Tanzanian SMEs' export performance compared to business networks, which have an insignificant influence on SMEs' export performance in Tanzania.

This study has demonstrated how Resource-Based Theory can be applied to SMEs. For SMEs to be competent in the export markets, they must have strategic resources that are valuable, rare, difficult to imitate and non-substitutable. SMEs must cultivate their internal capabilities to enhance export performance successfully. The findings of this study complement the core concept of RBV Theory that the utilisation of a firm's resources and capabilities is the driving force of the firm's behaviour and performance. The study contributes knowledge of how SMEs in Tanzania can improve their export performance. Study findings indicate that even though the Network Mode of Internationalization complemented the RBV, it emphasises the need for SMEs to establish, develop and retain relationships with foreign participants to gain a competitive advantage in foreign markets. This will not strengthen only the network between business owners and managers, but also with the foreign markets.

The study recommends that the government promote the quality of products exported to the foreign market through the Ministry of Industry, Trade and Investment, TCCIA, TANTRADE, and other government agencies that offer support to Small and Medium Enterprises. This is important as the products with high and acceptable qualities are the ones that can access the foreign markets by meeting the foreign market requirements and standards in terms of quality. This will enhance SMEs' export performance. Policymakers should focus more on assisting export start-ups by encouraging business innovation capabilities among firms, organising technical training programs, and providing grants and funds to help owners and business managers incorporate innovations in their operations to provide them with the capability of exporting to foreign markets. TANTRADE, EPZA and other institutions that offer support to international business should act as a link between SMEs and potential overseas partners to extend their inter-firm networks and offer marketing assistance, which, in turn, will lead to a positive influence on business innovativeness, improved product quality and enhanced export performance. Policymakers should foster an environment that encourages inter-firm cooperation by forming strategic groups, namely clusters. This will strengthen the network between business owners and managers and the foreign markets.

The study also recommends that SMEs reconsider their business network strategies, especially when making decisions. They should also establish a network with other organisations with expertise in research areas, such as research organisations and universities, to enhance both innovation capabilities and product quality to meet foreign markets' standards, improving their

export performance. SMEs should also establish relationships with foreign distributors and agencies, interact with financial institutions and key overseas customers to maintain long-lasting relationships and gain more knowledge about the international market's environment. SMEs should take an opportunity to cooperate with others to improve their export performance, especially in innovation and research and development, because most SMEs cannot invest in these variables. As a result, they do not fully embrace innovation, like improving the existing product and changing the design or packaging of a good and/or service; hence, their product cannot compete in foreign markets as they are not qualified enough.

The study only investigated the relationship between three organisation capabilities and SMEs' export performance in Tanzania. Thus, future researchers may consider variables other than organisation capabilities. This study focused on SME owners and managers only. Therefore, future researchers can focus on SME policymakers and export marketing analysis. In terms of methodology, the study used a cross-sectional design, which gives an opportunity for future studies to use a longitudinal research design to establish relationships between organisational capabilities and SME export performance over time. The sample size of 70 SMEs used in the study is 70 SMEs out of 420 SMEs engaging in the exports from Tanzania. This sample size could be small and could have implications on the generalization of the findings, then, the future study may consider increasing the number of sample size to qualify generalization of the findings.

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