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Article

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Strategic Capabilities and Success of Food-Processing Firms in Tanzania

Esther Ishengoma[1], Goodluck Charles[2] & Lettice Rutashobya[3]

ABSTRACT

This article identifies firms' strategic capabilities in the food-processing industry and establishes the extent to which they influence firms' success. Based on multinomial regression results drawn from the survey of 105 food-processing firms in Tanzania, it is evident that the leadership and vision of owner-managers was the most significant strategic capability irrespective of the firms' degree of success. The results also indicate that applying superior technology, the owner-managers' experience and level of education, engaging highly skilled and specialised employees, and the ability to access capital and sustain market growth were significant in distinguishing successful from poor performing firms. In view of the findings, our article adds value to the existing literature by linking strategic capabilities with varying degrees of firms' success in the context of a developing economy. It suggests that food-processing firms need to acquire and develop the identified strategic capabilities in order to succeed, especially in a context where the business environment is volatile and unpredictable. Policy makers should facilitate less successful food-processing firms to develop, retain and sustain the strategic capabilities that enable firms to be successful.

***Key words**- strategic capabilities, firms' success, food processors, Tanzania*

INTRODUCTION

The question as to why some firms succeed while others fail has received considerable attention in strategic management research (Tuccu et al., 2016; Kraaijenbrink et al., 2010; Menguc & Auh, 2006). As regards the manufacturing sector, this issue has recently gained momentum in the policy development arena and academic discourse (Hansen et. al., 2018), perhaps due to the growing importance of the manufacturing sector in terms of employment creation and economic growth[4]. Basically, research on variations in firms' performance and, in particular, the performance of manufacturing firms, has largely based on the assumption that the performance of manufacturing firms is determined by external industrial forces (Porter, 1985), and on the assumption that firms' success is determined by the resources and capabilities they own (Barney, 1991; 2001). Based on the latter assumption,

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4 According to the Tanzania Industrial Competitiveness Report (TICR, 2015), manufacturing contributes 8.4% of GDP in Tanzania.

most recent studies have paid greater attention to the internal capabilities of firms (e.g. Charles, 2014) to explain the variation in the performance of manufacturing firms in developing economies, and Africa in particular. This has become an interesting research area in Africa given that some firms appear to be more successful than others regardless of the fact that they face similar industrial and economic challenges (Tuccu et al., 2016).

Nevertheless, it is observed that although a significant amount of the variation in firms' success is explained by their capabilities (Galbreath, 2005), some capabilities are more important than others in determining firms' success (Hansen et al., 2018). This argument has stimulated further research on which capabilities matter most in various sectors, and in this case, manufacturing firms. Still, research on the extent to which firms' strategic capabilities are linked to the success of manufacturing firms is scanty, especially in developing countries where the manufacturing sector is evolving and the business environment is still unpredictable (Hansen et al., 2018). Consequently, there is little knowledge on how successful manufacturing firms combine their resources and capabilities to gain a competitive advantage and grow in an unfavourable business environment. Unfortunately, very few studies (e.g. Simon et al., 2015; Charles, 2014; Ghosh et al., 2001; Desabro et al., 2005; Parnell, 2011) have empirically tested the relationship between firms' strategic capabilities and the success of manufacturing enterprises.

In order to gain a greater understanding of the capabilities that matter to manufacturing firms, this article aims to determine the strategic capabilities of successful food processors and compare them with those applied by poorly performing food processors in Tanzania. The food-processing sub-sector attracts attention due to its strategic importance in the economic development of most developing economies (Charles et al., 2016; Hansen et al., 2018). In Tanzania, the food-processing sub-sector accounts for one-third of firms, 50 percent of employment in the manufacturing sector (Sutton & Olomi, 2012), and 33 percent of the growth in value-added products (Charles et al., 2016). While the sub-sector faces stiff competition from imported foodstuff and has little competitive advantage in the export market, some food-processing firms are growing fast in terms of output, innovation, employment, export expansion and diversity (Wangwe et al., 2014). This inspires research on how those firms manage to overcome the difficulties of the business environment and establish viable and growing enterprises. Therefore, discovering the factors that drive the most successful food processors in the context of a country like Tanzania is what motivated our study.

Drawing on the resource-based view (RBV) and looking at capabilities, this article reveals the strategic capabilities the most successful food-processing firms possess and determines the degree to which each capability influences their success. The strategic capabilities of firms in this case denote the factors, activities or strategic areas, which when deployed result in their excellent performance (Ghosh et al., 2001; Simon *et al*., 2011; Simpson et al., 2012). The specific resources of a firm (organisational, embedded and non-transferable) are utilised to improve the productivity of its other resources (Makadok, 2001; Charles, 2014). The article contributes to the strategic management literature in three ways. First,

in line with the literature which advocates the promotion of firms' specific resources (e.g. Tuccu et al., 2016; Charles, 2014), our article focuses on firms' internal resources to explain the success of some food-processing firms in the African context. While the institutional perspective influences firms' success (Hansen et al., 2018), and most investment climate assessments have been inclined to examine the external business environment (World Bank, 2018), we demonstrate the strategic capabilities that differentiate the most successful food-processing firms from those that perform poorly. Second, given that most previous studies on the performance of food processors have been done outside Africa (e.g. Ghosh et al. (2001) (Singapore); Ghosh & Kwan (1996) (Malaysia & Singapore); Krasniqi and Tullumi, (2013) (Kosovo); Simon et al., (2011) (Australia), and few empirical studies have been done using firms' data from Africa, this article integrates the results from the African context in the strategic management research. Third, as previous empirical work on firms' success focuses mainly on successful firms (e.g. Ghosh & Kwan, 1996; Krasniqi & Tullumi, 2013; Simon et al., 2011), this article shows the capabilities driving food-processing firms' performance with different degrees of success. This means that we reveal the strategic capabilities valued by the best, average and poor performing firms.

The rest of the paper is organised as follows. The next section presents theoretical views on strategic capabilities and organisational success. This is followed by the methodology, the empirical findings and discussion. The last section concludes the paper and makes recommendations.

FIRMS' STRATEGIC CAPABILITIES AND ORGANISATIONAL SUCCESS

The traditional approach to strategic management theorises that differences in firms' performance are attributed to the economic attractiveness of the structural factors of the industries of which they are members. This stream belongs to the school of economic explanations that follows the Bain (1959) Structure-Conduct-Performance (SCP) paradigm of traditional industrial organisation and Porter's (1985) model. Drawing on the economic underpinnings but shifting the focus of attention away from industry structure, the second stream theorises that differences in firms' success are attributable to internal or firm-level factors (Barney, 2001; Charles 2014). The RBV stipulates that in strategic management the fundamental sources and drivers of firms' superior performance are associated with the attributes of their resources and capabilities, which are too valuable and costly to copy (Barney, 1991; Peteraf & Bergen, 2003). In addition, the institutional theories highlight the effects of institutions on organisations, indicating that they shape the attractiveness of organisational forms, sectors or practices, resulting in performance difference over time (Sine & David, 2003). However, our thinking is influenced by the RBV and its streams based on the fact that when a firm operates in a volatile environment, its success is largely determined by the resources it owns (Galbreath, 2005) and the way in which it effectively configures them (McKelvie & Davidson, 2009).

Although firms possess many basic resources and capabilities, which enable them to execute their activities, it is largely agreed that firms' capabilities are strategic or critical for their success if they are difficult to imitate, are of value to the customer and are better than

those possessed by their competitors (Simon et al., 2011). The strategic capabilities may be identified based on where they reside, i.e. in a firm's resource dimensions, operating functions or its networks (Simon et al., 2015). Based on a firm's resource dimensions, Simpson et al. (2012)'s framework presents two streams of firms' strategic capabilities, owner-managers (or leadership/management) and the business (organisation). Following the operating functions of an organisation to establish strategic capabilities, Desabro et al. (2005) and Parnell (2011) identified four clusters of strategic capabilities. These are marketing capabilities (e.g. knowledge of customers, competitors, effective pricing, advertising skills); market-linking capabilities (e.g. customer-linking, creation of a durable relationship with suppliers and clients, and retaining customers), technological capabilities (e.g. ability to develop new products and technology, quality control, ability to predict technological change and production facilities) and management capabilities (e.g. human resources, planning, logistic control and financial management skills). Other authors (e.g. Ghosh et al., 2001; Ghosh & Kwan, 1996; Simon et al., 2015; 2011; Krasniqi & Tullumi, 2013) identified firms' strategic capabilities based on the RBV and strategic management literature without following firms' operating functions.

Table 1 provides a summary of the strategic capabilities established in selected studies relating to different sectors (service and manufacturing), location and timeframe. Although there are some variations in terms of the type and ranking of various capabilities, several common strategic capabilities have been identified in different settings. For instance, the extant literature has some commonalities on owner-managers' perceptions of their most important strategic capabilities. The common strategic capabilities that appear to be important to firms, irrespective of their context, include leadership, strong management team, the ability to develop and sustain capabilities, a good relationship with clients and a good and responsive organisational system. However, firms in the UK regarded the ability to offer products that performed well with consistent quality as the most strategic capability, while firms in Singapore placed it sixth. Firms in Australia and the UK placed adaptability and flexibility third but firms in Singapore placed it seventh. A comparative analysis of firms' perceptions of the factors critical for success in Singapore/Malaysia and Australia/New Zealand also revealed that they prioritized them differently (Ghosh & Kwan, 1996). While firms in Singapore/Malaysia perceived the ability to identify and focus on the market as of secondary importance, firms in Australia/New Zealand placed it fifth. According to Ghosh et al. (2001), firms' perceptions of the factors that lead to success in Singapore in 2001 and 1996 differed, as, for example, a committed, supportive and strong management team was fifth in 1996, but first in 2001, while leadership was placed seventh in 1996 and second in 2001. They argue that the change in the prioritisation of perceived success factors was linked to the stage of firms' development.

Table 1: Firms' strategic capabilities based on the reviewed literature

Ghosh et al.(2001) (rank)	**Simon et al. (2015; 2011) (rank 2015), (rank 2011)**	**Benzig et al. (2009) (rank)**	**O'Regan and Ghobadian (2004) (rank)**
Leadership (vision, capable and strong) (2)	Leadership (innovative vision) (1) [1]	Charisma, friendliness, reputation for being honest (1)	Involvement of top management (5)
A committed, supportive and strong management team (1)	Good management of staff (3)	Good management skills, social skills (2)	Involvement of line managers (4)
Adopting a correct strategy (3)			
Ability to identify and focus on the market (4)		Marketing/sales promotion	
Able to develop and sustain capabilities *(5)*	Selection and retention of good staff with good technical skills (1) [2]	Ability to manage personnel (4)	
A good relationship with customers and clients (6)	Good customer services (4) [5]	Good customer service (3)	Provide after sales service (2)
A good and responsive organizational system (7)	Adaptability and flexibility [3]		Flexibility to adapt to unanticipated changes products(3)
Good product/service features *(8)*	Excellent differentiated product(s)/service(s) [6]	Good products at a competitive price (6)	Provision of products that perform well with consistent quality (1)
Availability of finance, technological resources and support (9)		Access to capital (7)	
Good networking (10)			
Good human resource management practices (12)			
	Encourage innovation and flexibility [4]	Innovation (5)	
Country/location (Singapore)	Australia	Turkey	UK

Despite some variations, the literature shows that similar strategic capabilities are perceived by firms as critical to their success in different locations and sectors. It is observed that the prioritization of strategic capabilities by firms differs according to their strategic orientation (Ghosh et al., 2001; Desabro et al., 2005; Parnell, 2011) and different stages of their development (Ghosh et al., 2001). It is also noted that firms operating in the same business environment sometimes have a different strategic orientation because their managerial capabilities/competencies to deal with the challenges vary, as well as their perceptions of which strategic capabilities to prioritize. Accordingly, it is assumed that food processors at different stages of development (different ages and sizes) are likely to have a different strategic orientation. It is further assumed that firms' strategic capabilities are likely to differentiate successful firms from less successful ones. Of course, this

assumption requires empirical evidence to validate it, given that such studies are lacking in Africa. It brings an interesting contribution to the strategic management literature by showing how some firms become successful in a volatile and unpredictable business environment (Hansen et al., 2018). Contrary to previous literature that has focused on the external challenges faced by firms in the business environment (World Bank, 2018), this puts more emphasis on the internal capabilities which are controllable by food-processing firms.

METHODOLOGY

Data

The paper utilises the data collected in 2013-2015 for a project on Successful African Firms and Institutional Change (SAFIC), aimed at assessing the factors behind the success of African firms. A list of food processors provided by the National Bureau of Statistics in Tanzania and partly generated from the project baseline study was used to compile the sampling frame of 480 firms. The sample was selected based on the criteria set by the project. The most important condition for selecting a firm was that it had been in operation for at least five years and employing at least 10 workers. This is due to the fact that we wanted to include firms that would be able to provide performance data and had demonstrated a certain degree of success. Through a personally administered structured questionnaire, data from 124 firms were collected. After cleaning the data we were left with a sample of 105 firms, which were utilised to generate the study findings. The data drawn from the firms contains information on their performance, management's perceptions of what factors were critical for the success of their firms, their unique assets, number of employees and sources of finance, and the attributes of the firms' most responsible person.

The majority (52%) of firms in the dataset were involved in milling grain, followed by producing cooking oil (19%) (Table 2). Others included processing meat and snacks. About 46% of the firms had been in business for 6 to 10 years. Most firms were small (61%). Around 46% of firms operate as limited liability companies, followed by sole proprietors.

Table 2: Profile of the firms studied

Business line	%	Age in years	%	Size (number of employees)	%	Ownership	%
Grain milling	52.4	5	15.2	small (10-49)	61.0	Sole proprietorship	36.2
Edible (cooking) oil	19.0	6-10	45.7	Medium (50-100)	21.0	Partnership	17.1
Fish Processing	7.6	11-15	21.0	Large (> 100)	18.1	Private limited company	46.7
Others	21.0	> 16	18.1				
Total	100.0	Total	100.0	Total	100	Total	100.0
N	105	N	105	N	105		105.0

The variables

Success was measured by the perception of owner-managers of their financial performance for the past two years (i.e. 2012 & 2011) compared with the industry average. Using Likert scale questions, the respondents were asked to rate their financial performance for the past two years as 5 = well above the industry average, 4 = above the industry average, 3 = industry average, 2 = below the industry average and 1 = well below the industry average. Values from this question were further recoded to produce three scales: 3 = above average, 2 = average and 1 = below average, in order to have sufficient responses for each of the three clusters, allowing for comparative and multinomial logistic regression analysis. Previous studies (Parnell, 2011; Simon et al., 2015) industry 7captured data on success/performance on a self-reported scale, whereby firms/management indicated their relative financial performance and other performance variables. O'Regan and Ghobadian (2004) also indicated the performance of firms based on their perceptions of trends in their market share, whereby a growing market share signified good performance and decreasing market share indicated poor performance.

The dataset included information on the firms' operating profit margin (EBIT) for 2012, estimated as the percent of sales (EBIT%) and labour productivity (laborprod), estimated as total annual sales for 2012 divided by the total number of employees. Labour productivity was transformed into a natural logarithm to reduce the diversity of values. The two indicators (EBIT and laborprod) were associated with success, measured by the three Likert scale averages stated above. Descriptive statistics, ANOVA and Post Hoc Tukey-HDS were used to test the associations. It was observed that firms which perceived their financial performance as above the industry average had a higher average EBIT% (23%) than those which rated themselves average or below the industry average (Table 3 Panel 1). Firms which perceived their financial performance as equal to the industry average had EBIT% (19.2%) slightly equal to the sample average (20.5%) and higher than that of those which rated themselves below the industry average (17.3%). The ANOVA test showed the presence of significant differences between the groups of firms, while the Post Hoc Tukey-HDS (Table 3: Panel 2) indicates that the presence of differences (at around 10%) was between the mean statistics for firms that perceived their financial performance as above the industry average and those which rated themselves as below the industry average.

Table 3: Association between the perceived success variables and financial performance

Panel 1: Descriptive, ANOVA and Robust Tests of Equality of Means (Welsh)								
	Descriptive				ANOVA		Welsh results	
	Success	N	Mean	Std. Deviation	F	Sig.	Statistic	Sig.
EBIT%	Low	20	17.30	9.325	2.522	.085	2.700	.076
	Average	43	19.22	11.484				
	above average	42	23.37	11.464				
	Total	105	20.51	11.267				

ln laborprod	Low	20	14.6586	1.26360	9.718	.000	11.121	.000
	Average	43	15.5002	1.62787				
	above average	42	16.5372	1.80818				
	Total	105	15.7547	1.77649				
laborprod (Tshs)[5]	Low	20	6,690,117	14,625,433				
	Average	43	43,952,473	204,145,035				
	above average	42	74,899,760	218,728,220				
	Total	105	49,233,796	190,672,181				
Panel 2: Multiple comparison: Post Hoc Tukey HDS								
Dependent Variable	Success	(J) Success	Mean Difference (I-J)	Std. Error	Sig.		Mean Difference (I-J) in Tshs	
EBIT%	Average	Low	1.916	3.006	.800			
	above average	Low	6.071	3.017	.114			
		Average	4.155	2.409	.201			
ln laborprod	Average	Low	.84159	.44497	.146		37262356	
	above average	Low	1.87857	.44665	.000		68209643	
		Average	1.03698	.35666	.012		30947287	

Firms which rated their performance above the industry average attained higher labour productivity ($35000) than those which perceived their financial performance as equal to the industry average, which attained $20000. Those which rated themselves below the industry average had much lower labour productivity. The ANOVA test shows the presence of significant differences among the groups. Post Hoc Tukey-HDS (Table 3: Panel 2) indicates that the presence of significant differences (at around 1%) was between the mean statistics for firms that perceived their financial performance as above the industry average and those which rated themselves as either below or equal to the industry average. The difference in labour productivity between the latter two groups was not significant.

The consistence of the results on the relationship between the success variable and objective financial indicators (EBIT and labour productivity) suggests that owner-managers' perceptions of their firms' performance were somewhat objective, and this

[5] USD 1=Tshs 2,000 during the time of data collection

supported the application of the indicators for further analysis. Successful firms were those whose level of success was above the industry average.

In order to establish which capabilities were strategic, the firms were provided with a list of possible critical success factors (see Appendix 1), which could explain their performance. They were asked to indicate the most, second most and third most important factors. In line with Simon et al. (2011), the first, second and third most important factors were rated 3, 2 and 1, respectively.

Building on previous research (e.g. Simon et al. 2011; Ghosh et al., 2001), the strategic capabilities of firms were established by estimating the mean of each possible capability and ranking based on the mean scores. The first five strategic capabilities were further applied in the multinomial regression models to establish the strategic capabilities which differentiated successful from poor performing firms. The models specify the level of success as a function of strategic capabilities and controllable variables as indicated below:

$$S_{ij} = \frac{e^{X_{ij}^{'}\beta_j}}{\sum_{j=1}^{7} e^{X_{ij}^{'}\beta_j}}$$

Where

$$X_{ij}^{'}\beta_j = \beta_0 + \sum_{j=1}^{5} \beta_j CapabilityBase_{ji} + \sum_{j=6}^{7} \beta_j Control_{ij} + \beta_8 CSF_i$$

Where S_{ij} denotes the probability for the *i*th firm to attain a given level of success measured as described earlier. $X_{ij}^{'}$ is the set of explanatory variables, strategic capabilities appearing in all models (CapabilityBase), strategic capabilities (CSF) entered in the models one at a time and controllable variables (Control). β_0, $\sum_{j=1}^{5}\beta_j$ and $\sum_{j=6}^{7}\beta_j$ and β_8 are parameters which were estimated and stand for intercept and coefficients of CapabilityBase, control and CSF, respectively.

The five strategic capabilities (CSFs) were: the vision and leadership of the owner (vision) measured as dummy one if a firm cited it as the most important CSF and zero if it was cited otherwise; superior technology (technology) measured as dummy one if a firm indicated it as the first, second or third most important CSF; highly skilled and specialised employees (skilemp) measured as dummy one if a firm indicated it as the first, second or third most important CSF; and a strong brand measured as dummy one if a firm indicated it as the first, second or third most important CSF. The fifth one was the ability to access capital. Instead of using firms' perceptions of their access to capital as one of the five strategic capabilities, firms' current source of capital from local banks was used. Compared with other sources (friends, microfinance, money lenders), access to capital from banks is more

reliable. Firms were asked to indicate their first, second or third most important current sources of capital. Therefore, access to capital was measured as dummy one if a firm's first, second or third most important source of capital was banks and zero if otherwise. Five models including a base model, which comprised Capability Base and controllable factors only and models comprising four strategic capabilities entered one at a time, were estimated.

Apart from access to capital, the Capability Base comprised human resources indicators captured by three indicators: education, employees' competence and experience. Education was captured by **tertiary** measured as dummy one if the education level of the most responsible person in a firm was tertiary, zero if otherwise; and **secondary** measured as dummy one if the person had received secondary education, zero if otherwise. **Experience** was measured as the age of the most responsible person. Competence of employees is captured by **labour productivity,** which was measured as described above (i.e. total annual sales for 2012 divided by the total number of employees, then transformed into a natural logarithm). It is assumed that labour productivity increases with the competencies of employees, which are amassed through the accumulation of knowledge and experience. Labour productivity is also an indication of what an employee should earn, which in most cases is based on an employee's level of competency (education and experience).

The control variables included in the analysis are location and firm's business line. As argued by Simpson et al. (2012), the nature of the business may influence the firm's CSFs, which are developed by the company to overcome certain challenges. Firms in different locations may also be exposed to a different business environment, which forces them to acquire resources or get involved in different activities to sustain their performance. Thus, location was measured as dummy one for firms located in Dar es Salaam (the main commercial city where most firms were located), and zero if otherwise.

The significant positive (negative) coefficient of experience or employees' competence, which are continuous variables, indicate an increase (decrease) in a firm's probability of attaining level 2 (average) or level 3 (successful = above average) relative to reference category/level 1 (below average) of a firm's level of success. Significant positive (negative) coefficients of dummy variables indicate the existence of differences in a firm's probability of reaching level 2 or level 3 of success relative to the reference group. We now turn to the findings of the study.

EMPIRICAL FINDINGS AND DISCUSSION

Firms' strategic capabilities

The results in Table 4 indicate firms' perceptions of their strategic capabilities relative to their degree of success. The results reveal that firms with different levels of performance (low, average and successful) had the same views on the five highest ranked strategic capabilities driving their success. However, the ranking of these strategic capabilities by firms with different levels of success differed. These findings are consistent with some previous studies (see for example Ghosh et al., 2001; Simon et al., 2011), which show there

was agreement on strategic capabilities, but they were ranked differently by firms in different countries, sectors and timeframe and with a different orientation.

Table 4: Strategic capabilities by firms' degree of success

	Poor performing		Average		Successful		Overall	
Strategic capabilities	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
The vision and leadership of the owner	1.550	1	2.140	1	2.333	1	2.105	1
Highly skilled and specialized employees	0.600	2	0.488	5	0.619	3	0.562	3
Superior technology	0.400	3	0.698	2	0.833	2	0.695	2
Easy access to capital	0.400	3	0.419	6	0.500	4	0.448	4
Sustained growth in market demand	0.300	7	0.628	3	0.238	6	0.410	5
A strong brand	0.400	3	0.186	7	0.357	5	0.295	6
Ability to produce at low cost	0.250	9	0.605	4	0.214	7	0.381	7
Luck	0.400	3	0.093	9			0.114	9
Collaboration with local firms	0.250	8	0.163	8	0.071	8	0.143	8
N	20		43		42		105	

More specifically, the results reveal that all the firms, irrespective of their degree of success, indicated leadership and vision of the owner-manager as their most strategic capability. This finding corroborates previous empirical studies (Charles, 2014; Ghosh et al., 2001; Simon et al., 2015, 2011; Benzig et al., 2009), which showed that leadership and strong vision was either the first or second most important strategic capability. The agreement on leadership and vision as the most critical strategic capability could be based on its importance in identifying, developing and attracting other strategic capabilities. These strategic capabilities are the selection and retention of skilled workers (Simon, et al., 2011; Simon et al., 2015) or having highly skilled and specialised employees, a good relationship between employees, good human resources management, a committed, supportive and strong management team, a strong working relationships between top management and employees (Ghosh et al., 2001), strong networks with external actors to attract resources such as finance (Ghosh & Kwan, 1996) and access to markets. According to Simon et al. (2015), good leadership steers the organisation through turbulence and hence succeeds.

Ranking of the remaining strategic capabilities by firms with different degrees of success differed. While according to the mean scores, successful and average firms ranked superior technology as the second most important capability, poor performing firms ranked it third. Additionally, the mean scores show that successful firms felt strongly about the importance of superior technology, followed by average firms, while poor performing firms did not think it important. On the other hand, poor performing firms ranked 'highly skilled and specialised employees' as their second most important strategic capability, successful firms

ranked it third while average firms ranked it fifth. In terms of their relative importance, successful firms had strong views on its importance (0.62 mean score), followed by poor performing firms (0.60) and average firms (0.49). Other strategic capabilities ranked by successful firms as fourth, fifth and sixth most important are access to capital, a strong brand and strong and sustained growth in market demand, respectively. The latter was ranked third and seventh by average and poor performing firms, respectively, while the former two were ranked third by poor performing firms.

Looking closely at the two extremes of the degrees of firms' success, and extending our argument to the role of strategic orientation, it appears that the majority of poor performing firms did not focus on the capabilities needed to enhance their development. They also ranked 'luck' as the third capability, together with superior technology, access to capital and a strong brand. Our observation on poor performing firms not prioritizing strategic capabilities is supported by the findings of Desabro et al. (2005) and Miles et al. (1978) and Ghosh et al. (2001), which show that less successful firms do not focus on/prioritize strategic capabilities. In the study by Ghosh et al. (2001), luck was perceived by the reactors as an important factor behind their success, which is in line with our finding. Based on the ranking of strategic capabilities, the majority of successful firms ranked superior technology and skilled and specialised workers high. This is in line with the observation by Parnell (2011). They also perceived that sustained growth in market demand and having a strong brand were strategic capabilities. In line with our observation, Ghosh et al. (2001) also revealed that successful firms had a strong opinion on their ability to develop and sustain capabilities as well as the availability of financial and technical resources. Most of the average firms ranked 'producing at low cost' and 'sustained growth in market demand' high. The ability to produce at low cost was ranked seventh by the sampled firms. This could be because the food-processing industry is competitive, partly due to cheap imported food products. Thus, to compete in the local and international market, firms may be required to continuously invest in efficient technology.

Strategic capabilities and firms' degree of success

Table 5 reports the mean statistics of the variables included in the multinomial logistic regression models. With respect to human capital, the results reveal that 25% of firms' most responsible person had received secondary education, 55% tertiary and the rest had received primary education. The average labour productivity was around $25,000. Furthermore, 55% of firms accessed capital from local banks, while the rest accessed capital from other sources. With respect to the controllable variables, 33% of firms were located in Dar es Salaam and the rest outside Dar es Salaam, around 27% were involved in processing fish or edible oil while the rest were involved in other lines of business mentioned earlier. Regarding the CSFs, 63% of the firms indicated vision and leadership of the owner as their most important CSF. The remaining CSFs were variably indicated as the first, second or third most important factors behind the growth of the firms. Those factors were superior technology (28%), highly skilled and specialized employees (26%) and a strong brand (19%).

Table 5: Mean statistics of sample firms

Variable	Variable definition	Mean	N	Std. Deviation	Minimum	Maximum
Experience	ln age of the most responsible person 2012	3.877	102	0.194	3.00	4.30
Employees' competency	ln productivity 2012 (sales/ total employment)	15.755	105	1.776	13.23	21.05
Secondary	Educational background of most responsible person - secondary	0.250	104	0.435	0.00	1.00
Tertiary	Educational background of most responsible person - tertiary	0.558	104	0.499	0.00	1.00
Location	Dummy location	0.333	105	0.474	0.00	1.00
Business line	Business line in two categories (1=fish and edible oil) (0=others and grain mills)	0.267	105	0.444	0.00	1.00
Source of capital (Banks)	First, 2nd or 3rd most important source of funds is bank	0.524	105	0.502	0.00	1.00
Vision	Most important CSF is vision and leadership of owner	0.629	105	0.486	0.00	1.00
Superior technology	Dummy superior technology = 1 if perceived as 1st, 2nd or 3rd most important CSF	0.282	103	0.452	0.00	1.00
Skilemp	1st, 2nd or 3rd most important CSF is skilled employees	0.262	103	0.442	0.00	1.00
Brand	1st, 2nd or 3rd most important CSF is strong brand	0.194	103	0.398	0.00	1.00

In Table 6, the results on model fitting for the six models of success support the existence of a relationship between the independent variables (when considered together) and the level of success as the probability of chi-square for all the models was less than 0.05. It is also evident that the indicators of firms' resources, employees' competence, experience of the most responsible person, and access to capital from local banks had a significant relationship with firms' success. Tertiary and secondary educational levels attained by the most responsible person in a firm had a significant relationship with firms' success in models 1 to 3. The results also reveal that the control variables, location and business line, had a significant relationship with firms' success in all the models. Regarding the four strategic capabilities entered in the models one at a time, the results reveal that superior technology had a weak relationship with firms' degree of success. The rest, skilled employees (skilemp), vision and leadership of the owner (vision) and brand had no significant relationship with firms' degree of success in all the models when considered individually.

Table 6: Likelihood Ratio Tests (LRT) and model fitting information (MoFI) or model fitting criteria (MoFC) for firms' level of success

	Model 1		Model 2		Model 3		Model 4		Model 5	
Effect	MoFI	LRT	MoFI	LRT	MoFI	LRT	MoFI	LRT	MoFI	LRT
	-2 LLRM	χ^2	-2 LLRM	χ^2	--2 LLRM	χ^2	-2 LLRM	χ^2	--2 LLRM	χ^2
Intercept	161.560	.000	159.208	.000	156.167	.000	159.677	.000	158.068	.000
Experience	166.379	4.819♣	164.032	4.824♣	162.599	6.432♠	165.107	5.430♠	163.444	5.376♣
Employees' competency	170.425	8.865*	168.299	9.090*	164.701	8.534*	166.670	6.993♠	165.124	7.056*
Secondary	166.223	4.664♣	163.887	4.678♣	160.407	4.240♣	163.610	3.933♣	161.180	3.112
Tertiary	166.357	4.798♣	163.841	4.632♣	160.434	4.267♣	163.567	3.890♣	160.977	2.909
Business line	167.799	6.239♠	164.787	5.579♠	162.920	6.754♠	166.508	6.831♠	164.965	6.898♠
Location	167.580	6.020♠	164.701	5.493♠	162.291	6.125♠	165.680	6.003♠	163.121	5.053♣
Banks	168.610	7.051*	166.681	7.473*	160.969	4.802♣	166.140	6.463♠	165.270	7.202*
Vision			161.560	2.351						
Suptech					160.097	3.930♣				
Skilemp							160.097	.420		
Brand									160.097	2.030
MoFI										
Intercept Only	209.627		209.627		206.131		206.131		206.131	
Final	161.560	48.068*	159.208	50.419*	156.167	49.964*	159.677	46.454*	158.068	48.063*
Df	14		16		16		16			

*, ♠and ♣, imply significant at </= 0.01, </= 0.05 and </=0.1 respectively. LLRM stands for Log Likelihood of Reduced Model. df for each of the independent variable is 2.

Table 7 presents the results for parameters in the firms' success models. The Table shows the probability of a company being successful (i.e. having financial performance for the past two years above the industry average) or average (i.e. having financial performance for the past two years equal to the industry average) relative to the low level of success (i.e. having financial performance for the past two years below the industry average).

Table 7: Strategic capabilities and degrees of firms' success

	B (Std. Error)	Wald	Exp(B)	B (Std. Error)	Wald	Exp(B)	B (Std. Error)	Wald	Exp(B)	B (Std. Error)	Wald	Exp(B)	B (Std. Error)	Wald	Exp(B)
Average firms															
Intercept	-17.429 (7.921)	4.842		-17.530 (7.967)	4.841		-19.238 (8.377)	5.273		-17.503 (8.108)	4.660		-18.636 (8.047)	5.363	
Experience	3.559 (1.691)	4.433	35.144♠	3.580 (1.711)	4.377	35.871♠	4.526 (1.885)	5.763	92.366*	3.843 (1.726)	4.960	46.684♠	3.819 (1.717)	4.949	45.573♠
Employees' competency	0.457 (0.266)	2.936	1.579♠	0.456 (0.267)	2.917	1.578♠	0.438 (0.269)	2.658	1.550♠	0.420 (0.272)	2.383	1.522♠	0.419 (0.267)	2.467	1.520♠
Secondary	-1.924 (0.928)	4.301	0.146♠	-1.953 (0.936)	4.355	0.142♠	-1.924 (0.977)	3.879	0.146♠	-1.858 (0.971)	3.659	0.156♠	-1.657 (0.970)	2.921	0.191♠
Tertiary	-1.762 (0.847)	4.325	0.172♠	-1.745 (0.856)	4.154	0.175♠	-1.775 (0.900)	3.889	0.170♠	-1.659 (0.869)	3.641	0.190♠	-1.482 (0.886)	2.801	0.227♠
Business line	-0.005 (0.860)	0.000	0.995	0.031 (0.873)	.001	1.031	-0.405 (0.971)	.174	0.667	-0.350 (0.970)	0.130	0.705	-0.284 (0.986)	0.083	0.753
Location	0.749 (0.757)	0.979	2.115	0.751 (0.757)	.984	2.119	0.680 (0.764)	.791	1.973	0.637 (0.783)	0.662	1.891	0.671 (0.756)	0.788	1.956
Banks	-0.757 (0.696)	1.182	.469	-0.779 (0.707)	1.215	0.459	-0.650 (0.723)	.807	0.522	-0.715 (0.705)	1.030	0.489	-0.625 (0.706)	0.785	0.535
Vision				0.054 (0.682)	.006	1.056									
Suptech							-1.485 (1.030)	2.080	0.226						
Skilemp										-.250 (0.828)	0.092	0.778			
Brand													0.817 (0.854)	0.914	2.263
Successful firms															
Intercept	-17.361 (7.701)	5.083		-17.792 (7.693)	5.348		-19.387 (8.218)	5.565		-17.326 (7.862)	4.857		-16.927 (7.871)	4.626	
Experience	2.973 (1.712)	3.016	19.552♠	3.095 (1.713)	3.264	22.086♠	4.015 (1.919)	4.376	55.414♠	3.356 (1.765)	3.617	28.680♠	3.129 (1.748)	3.204	22.843♠
Employees' competency	0.701 (0.275)	6.479	2.015*	0.715 (0.277)	6.633	2.043♣	0.693 (0.278)	6.206	1.999*	0.646 (0.281)	5.269	1.907*	0.634 (0.275)	5.327	1.885*
Secondary	-1.237 (1.062)	1.357	0.290	-1.296 (1.079)	1.442	0.274	-1.220 (1.135)	1.155	0.295	-1.182 (1.103)	1.148	0.307	-0.983 (1.090)	0.814	0.374
Tertiary	-1.693 (0.940)	3.242	0.184♠	-1.713 (0.956)	3.208	0.180♠	-1.736 (1.013)	2.936	0.176♠	-1.543 (0.964)	2.559	0.214♠	-1.383 (0.963)	2.063	0.251
Business line	-1.424 (0.886)	2.583	0.241♠	-1.340 (0.897)	2.229	0.262	-1.807 (0.991)	3.326	0.164♠	-1.764 (0.982)	3.226	0.171♠	-1.729 (0.987)	3.071	0.177♠
Location	-0.594 (0.788)	.567	0.552	-0.560 (0.793)	.499	0.571	-0.692 (0.806)	.738	0.501	-0.719 (0.815)	0.779	0.487	-0.585 (0.788)	0.551	0.557
Banks	-1.750 (0.739)	5.608	0.174*	-1.823 (0.753)	5.866	0.161*	-1.519 (0.770)	3.886	0.219♠	-1.689 (0.750)	5.074	0.185*	-1.741 (0.754)	5.334	0.175*
Vision				-0.740 (0.756)	.958	0.477									
Suptech							-1.905 (1.065)	3.199	0.149♠						
Skilemp										-0.537 (0.889)	0.365	0.585			
Brand													-0.105 (0.883)	0.014	0.900

Reference-group = low performing firms

*, ♠and ♣, imply significant at </= 0.01, </= 0.05 and </=0.1 respectively

The results from all the multinomial regression models reveal that the most responsible person's experience (experience) and educational level were very significant in distinguishing firms with an average level of success from those with a low level of success.

Employees' competence was significant in distinguishing firms with an average level of success from those with a low level of success in models 1, 2 and 3, while access to capital from local banks was insignificant in distinguishing firms with an average level of success from those with a low level of success. The results further reveal that all the strategic capability variables (vision, suptech, skilemp and brand) and control variables (location and business line) were insignificant in distinguishing firms with an average level of success from those with a low level of success.

A one-year increase in the most responsible person's experience (experience) raised the odds of attaining an average level of success (compared with low level of success) by 32 to 92 times (in Models 1 to 6). Having the most responsible person with secondary education increased the odds of having average performance (compared with poor performance) by 14.6 to 19% (in Models 1 to 6), which was higher than in firms whose most responsible person's education was primary. The odds of attaining average success (compared with a low level of success) was 17 to 22 percent (in Models 1 to 6) higher for firms whose most responsible person's educational level was tertiary than the ones whose most responsible person's education was primary. Furthermore, a unit increase in employees' competence (i.e. labour productivity) raised the odds of attaining an average level of success (compared with a low level of success) by 1.5 times (in all models).

Multinomial regression results in all the models reveal that the most responsible person's experience (experience), employees' competence and access to capital from local banks were very significant in distinguishing successful from poor performing firms. The most responsible person's tertiary education was significant in distinguishing successful from poor performing firms in models 1, 2, 3 and 5, while educational level of the most responsible person being secondary was insignificant in distinguishing successful firms from those with a low level of success. These findings square well with the results in the previous section and those of previous studies (see Ghosh et al., 2001; Simon et al., 2015; 2011; Parnell, 2011) regarding the importance of developing and sustaining good staff with specialised and technical skills for firms' success, as well as the availability of financial resources. A firm's owner manager/most responsible person with good credentials and a lot of experience is likely to have technical and mental ability, human relations skills, a strong desire to achieve and be creative, the ability to empower others (Simon, et al., 2015) and management skills (Parnell, 2011), which are important for the success of a business.

Regarding strategic capabilities which were entered in the model one at a time, the results reveal that only superior technology significantly distinguished successful firms from those with a low level of success. The presence of superior technology is linked to technical capabilities which are positively associated with the performance of successful firms (a mixture of analysers and prospectors) (Panell, 2011). Other strategic capabilities (vision, skilemp and brand) and the control variable, location, were insignificant in distinguishing successful from unsuccessful firms. The control variable, business line, was significant in distinguishing successful from unsuccessful firms.

A year's increase in the most responsible person's experience (experience) raised the odds of being a successful firm (compared with a less successful firm) by 19 to 55 times (in Models 1 to 6). Having the most responsible person with tertiary education increased the odds of being a successful firm (compared with a less successful firm) by 18 to 21% (in models 1, 2, 3 and 5) higher than having the most responsible person with primary education. A unit increase in employees' competence raised the odds of becoming a successful firm (compared with those with a low level of success) by 2 times. The results further reveal that the odds of becoming a successful firm (compared with those with a low level of success) was 15 to 21 percent (in Models 1 to 6) for firms which had access to capital from local banks compared with those which had access to capital from other sources (personal savings, microfinance institutions, etc.). Perceiving superior technology as a firm's strategic capability increased the odds of being a successful firm (compared with an unsuccessful firm) by around 15 percent. Furthermore, the odds of being a successful firm (compared with an unsuccessful firm) were 16 to 24 percent higher for firms processing fish and edible oil (cooking oil) than for firms in other business lines (milling grain, and making bread and snacks, etc.).

CONCLUSION AND IMPLICATIONS

This paper has established the strategic capabilities of successful firms and determined their role in differentiating successful from less successful firms. The results show that irrespective of the degree of success, the five highest ranked strategic capabilities were leadership and vision of owner-manager or responsible person, superior technology, highly skilled and specialised employees, access to capital and strong and sustained market growth. All the firms agreed on the importance of leadership and vision of the owner-manager in driving the success of the firm. However, prioritization of firms' strategic capabilities (indicated by the mean scores) differed among the three groups of firms (successful, average and poor performing). Successful firms placed superior technology, highly skilled and specialised employees and the ability to access capital second, third and fourth, respectively. Five successful firms ranked highly skilled and specialised employees second and the rest third. The results further indicate that the most responsible person's experience and education, employees' competence, access to capital from local institutions and superior technology were significant in distinguishing successful from poor performing firms.

The findings on food processors with different degrees of success may be well positioned in the literature, which has established the strategic capabilities of firms with different strategic orientations (see Panell, 2011; Desabro et al., 2005; Miles et al., 1978 and Ghosh et al., 2001). Contrary to successful firms, it was observed that poor performing firms placed 'luck' in their strategic capability basket, which squares well with the findings by Ghosh et al. (2001) on the ranking of firms' strategic capabilities. This is in line with business practice in the African setting where some firms tackle entrepreneurial challenges through trial and error rather than doing a proper analysis of the situation facing them (Desabro et al., 2005; and Miles et al., 1978). On the other hand, superior technology and

highly skilled and specialised employees are the attributes that successful firms in the food-processing industry ranked highly (Parnell, 2011). It is evident that for firms to be successful in a volatile business environment characterised by strong competition from high quality imported processed foodstuff, they have to maintain superior technological capabilities (equipment and highly skilled and specialised employees). This is possible if they have good leadership and a strong vision in place as well as access to resources (e.g. capital).

The findings presented in this articles show a set of factors complementing the industrial perspective in explaining firms' performance, especially in a context where the business environment is volatile and unpredictable. Of great interest is the fact that the impact of firms' strategic capabilities differs across the firms with different levels of success. This implies that the food-processing firms require strong leadership, superior technology, highly skilled and specialised employees, the ability to access capital and sustain market growth. In addition, owner-managers' experience and level of education, employees' competence, access to capital and the application of superior technology play a crucial role in the success of firms that perform well. These findings have three implications. First, the capabilities identified largely relate to leadership and the human capital possessed by the business. This is relevant in strategic management research in the context of a developing economy where the human capital is still underdeveloped. Second, this article supports the focus on the need for firms to acquire and develop their internal resources (Barney, 2001). Accordingly, while several developing economies are putting more effort into reforming the business environment, supporting the development of the competencies and capabilities of firms is equally important. Third, it is important for researchers and policy makers to support food processors in African countries to identify, acquire and nurture the strategic capabilities that contribute to their performance. Overall, this article adds knowledge to the theoretical debate by applying the RBV to food- processing firms in the context of a developing economy, and by attempting to show the strategic capabilities that contribute to firms' success, as opposed to most previous studies that have been theoretical in nature and/or based in other continents.

LIMITATIONS AND AREAS FOR FURTHER STUDIES

While we join other scholars in acknowledging the significance of strategic capabilities for firms' success, we agree with Simon et al., (2015) who argue that the literature on strategic capabilities "does not inform us as to how organisations can reconfigure their resources in times of rapid change" (Simon et al., 2015:910). It is therefore important that future research, especially in African economies whose business environments are notoriously harsh, examines the role of dynamic capabilities (DC) in influencing firms' success. Dynamic capabilities enable firms to evolve and adapt in a changing business environment and eventually bring positive change. According to Wang et al., (2015, p.28), "DC are higher-order organisational capabilities of changing existing, or creating new, organisational resources and capabilities" to enable firms to gain a competitive advantage (Teece et al., 1997), leading to their success. Methodologically, this study employed the

perceptive approach to data collection. Objective data collection methods might bring different results.

This study investigated the role of strategic capabilities in differentiating successful from less successful firms in Tanzanian food-processing firms. Future research could consider investigating these issues in other industries and economies. Since it has long been acknowledged that firms' performance is industry specific, the results could be different if applied in, say, engineering or service-oriented firms. Similarly, even with emerging economies, their institutional environments are not homogenous, as some are more turbulent than others. It would be good to examine the role of strategic and dynamic capabilities in other economies in order to contribute to a more grounded theory of strategic management.

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Appendix 1

S/No	Strategic capabilities
1	The vision and leadership of the owner
2	Highly skilled and specialized employees
3	Superior technology
4	Easy access to capital
5	Strong and sustained growth in market demand
6	A market with limited competition (Blue Ocean)
7	A strong brand
8	Ability to produce at low cost
9	Good relations with politicians
10	High level of (industry/business) competence among authorities
11	Strong backing from industry associations
12	Luck
13	Collaboration with local firms
14	Competent suppliers and service providers
15	Competent distributors and sales agents
16	Collaboration with foreign firms
17	Assistance from donors and development agencies
18	Efficient infrastructure (electricity, water, roads etc.)