

## Understanding Core Competency of Small and Medium-sized Enterprises: A comparative Study in Tanzania and China

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**ABSTRACT:** The purpose of this study has been to identify Core Competency in Small and Medium-sized Enterprises (SMEs) in Tanzania with reference to China. The study also involves an observation of the existing association among SMEs in Tanzania and China in terms of their activities and commitments in keeping the core competencies as a strategy for SMEs to remain competitive. This practical investigation involved an inquiry research approach for evaluating core competencies to SMEs through management, technical and capability perspectives as variables. The study therefore, employed survey questionnaires to individuals and proprietors in local and urban SMEs operating in Tanzania enacted in the observed SMEs from China. The results generally revealed that SMEs in China have developed a relatively high core competencies in their operation compared to its referred part, Tanzanian SMEs. The technological environment has greatly supported the development of core competence in China SMEs and weak technological infrastructure, low level of managerial skills and lack of effective marketing are amongst the factors which were identified to result to low level of core competencies in Tanzania SMEs. Most of the capability skills found in Chinese SMEs (5.42%) then in Tanzania SMEs that seem to be (2.82%). This signifies the importance technology incorporation in the course of the SMEs' operation, customer service, the level of business training and effectiveness in marketing. This also helps to explore how the business managers can integrate managerial, technical and competency skills effectively, taking advantage of their available resources and through understanding of core competence.

**KEYWORDS:** Competency, Capability, Enterprises, Technology, Tanzania, China.

### 1 INTRODUCTION

#### 1.1 BACKGROUND

Value creation enhancement in Small and Medium-sized Enterprises (SMEs) has recently been spilled on the current wave of strategic business management--getting a head and stay ahead. Firms in this business setting are really struggling to cope up and in this way they are integrating the management, expertise, capability, competition and other factors into the whole running process. Businesses and enterprises are striving to have and maintain something that customers uniquely value. However, in general small-firm point of view, one core challenge facing them has been not only developing the customer desired competence but identifying the core competency within the firm itself in terms of quantity and extent of provision of business and viable creation of value. Thull, J. (2007) expressed new core competency for growth-minded firms as value creation and that, firms must make value creation everyone's job because if they are competing on price will never achieve maximum profitability and effectiveness. Accordingly core competence is the significant influence to help firms to develop, maintain and actually create the lasting competitive advantage. It is the most basic tool that firms of any size can utilize to obtain the utmost advantage of sustainable development.

Core competencies represent special strengths relative to other enterprises in the industry which offer the fundamental foundation for the provision of an added value. Core competencies are the shared learning in enterprises, and involve how to organize diverse production skills and incorporate multiple streams of technologies. It is communication, participation and a deep commitment to functioning across enterprise boundaries. A small number of enterprises are probable to build world leadership in over five or six fundamental competencies (Prahalad, & Hamel, 1990). Core competencies was originally introduced by Prahalad and Hamel (Prahalad, Hamel, 1990), who recommended, that core competencies must be the combined learning in the organization, particularly how to coordinate diverse production skills and integrate various streams of technologies. They argued that a company's core competencies are the groundwork from which competitive improvement can be built in the market. If a firm does not know its own competencies, it is very difficult to identify strategies and goals for prospect activities. Competencies represent the combined know-how of the firm in commencing or responding to revolutionize, through managerial processes, schemes and procedures, all integrated into manners of deeds, interior networks and interpersonal relations.

The importance of distinctive core competencies has highly increased in recent years, since it is an important tool to any firm's success and growth. The significance falls on arising value creation from capabilities and competencies rather than value appropriation which is more of market requirement. SMEs are facing the devastating competitive phenomenon and the ideas of identifying yet defining a successful core competence has therefore become a big challenge. Regardless of having abundance of natural resources in the country, the Small and Medium Enterprises (SMEs) in Tanzania are not capable to meet the challenges of presented by globalization largely due to lack of facilities and information (Aikaeli, J. 2006). This has been a challenge to the SMEs as they don't get to understand and know the core competencies that are required to competitively survive in the industry. For instance, the high cost of Internet accessibility, deficient of awareness on products, quality, technology and competition (Market) assisted by the high cost of procurement of reliable information have resulted into almost a 'Digital Divide' flanked by those who have access to the information and those who don't have.

According to ILO (2005), Tanzanian defines SMEs according to subdivision, size of employment, and investment of assets. With this division, SMEs are put into micro, small, and medium-size. The Tanzanian government aims to promote the proliferation of SMEs. Various schemes and programs have been established both by the government and nongovernmental organizations such as SIDA in to encourage and support SMEs establishment and development. One such like program is the SME training fund provided by the government. The SME training fund seeks to provide training grant to SMEs in Tanzania to offer the relevant training on their business operations. The program's objective is to enhance the human resources activities and procedures in SMEs and to enhance SMEs' capabilities and competitiveness. The country as a developing country has realized the importance os SMEs for its economic development and growth. The Tanzanians' SMEs constitutes 90% of the total number of enterprises in Tanzania. However these SMEs can neither meet challenges that they face in this world of today, nor successfully identify them in the global perspective. Moreover, these SMEs fail to adequately identify and define their core competencies and as a result, the young professionals are remaining struggling to incubate their own business techniques in less innovative situation.

According to the Chinese Economic and Trade Commission (CETC) 2003, SMEs in China refer to business enterprises that compose of number of employees below 2,000 with total revenue below RMB 300 million per year, and a total asset of less than RMB 400 million. In China there is an increasing significance of SMEs in its economy. Experts guess that SMEs are at the present responsible for around 60% of China's industrial productivity and employ roughly 75% of the workers in China's cities and towns. In national industry and commerce registration enterprise, SMEs account for 99%, These SMEs create the most new urban jobs, plus they are the major destination for employees laid-off from state-owned organizations.

China is characterized by many private small businesses created on personal strive and too contribute to the rural collective economy (Liang, 2009, Liu, Hu, & Tian, (2012)). Consequently, in the process of the SMEs' development China also face challenges and difficulties such intense market competition, weaken demand, the cost fluctuation, polivy environment mismatch and lack of core competence mainly due to lack of core values systems (Liu, Hu, & Tian, 2012).

## 1.2 PURPOSE AND SIGNIFICANCE

This study searches to identify the Core Competence in Small and Medium Enterprises in Tanzania referring to the People's Republic of China (the world's most populous country, world's top exporters with attracting records of foreign investments and a country with 80% of jobs from SMEs, BBC News Asia, 2<sup>nd</sup> October, 2014). It will look to establish the current situation on the core competence of the SMEs and to identify the core competence that these SMEs strive to achieve in order to remain competitive in the local market and in the international market. It will also establish the ways by which the SMEs put in place to achieve the desired competence and then increase understanding of how the core competency in SMEs is currently developing in Tanzania.

The key significance of the study revolves around the fact that, small and medium-sized enterprises (SMEs) represent nearly ninety percent (90%) of Tanzania's total number of enterprises, with most classified as group or family businesses. The research is significant since the SMEs constitute essential part of the country's economy. Additionally, it is imperative to compare the core competence in Tanzanian SMEs in order to identify the countries' position, relative to the world, in general and China in particular. Also valuing the identification of loop-holes and their remedies in the core competence of Tanzania SMEs will contribute recommendations to improve the processes. Moreover, this study is intended to add on existing literature and efforts for enhancing, controlling, and managing SMEs from Tanzania's responsible body; current perceptions of SME core competence and need for renovation. Ultimately, the study findings will help educate readers in the basics of SMEs' competence with a goal toward benefitting both Tanzanians and Chinese.

### **1.3 LITERATURE OUTLOOK**

In his article "Building growth on core competence – a practical approach" Nigel Petts (1997) describes "core competence" as a unique combination of technologies, knowledge and skills that are possessed by one company in a market. He found that, core competence has various attributes such as: *complexity* ( possessed by a group of individuals using diverse technologies); *invisibility* (not easy to identify); *inimitability* (not easy of being copied); *durability* (lasts longer than mere products); *appropriability* ( advantages are granted solely upon the owner); *non-substitutability* (cannot be replaced by an alternative competence); and *superiority* (clearly better than similar competences owned by others) Nigel Petts ( p.552, 1997).

SMEs development appears as a key instrument in poverty eradication efforts. Trade liberalization and globalization have brought up new opportunities plus challenges for SMEs. Currently, only small portion of the SME sector is capable of identifying and exploiting these opportunities and also deal with the challenges. Most of SMEs in developing and transition countries like Tanzania, nevertheless, has been unable or less able to exploit the advantages of globalization and further they are often under pressure on the local or domestic markets brought up by the cheaper imports and competition from foreign.

Issack & Rutashobya, (2006) observed that, a chief objective of work to encourage the development of the SMEs sector is thus to change the balance among these two groups of SMEs and to provide SMEs to better deal with the challenges of globalization and to profit from its opportunities. There is no objection that, the rate of SME development is affected by the competitive environment. Lettice, Issack & Jaenson, (2001) explained that, the SMEs face intense competition from the large enterprises and to be able to cope with the challenging nature of the business environment, the SMEs are increasingly incorporating diverse survival strategies. As a result, these firms are witnessing rampant growth.

According to Ghobadian & Gallear (1996), SMEs are increasingly being renowned as 'lifeblood of contemporary economics'. As a result, various parties such as learning institutions, Chambers of Commerce and Industry are increasingly appreciating the SME sector. For example, the Tanzanian government has recognized that SMEs are too significant to national and local economic development since they have the potential to grow into big enterprises (Tanzania Chamber of Commerce Industry and Agriculture, 2009, para.3). This means that the sector has a high potential of creating more job opportunities. As a result, the government is formulating various policies aimed at minimizing its direct involvement various productive activities. This is giving a chance to private investors to venture into these sectors through establishment of SMEs.

#### **1.3.1 THE THEORY OF STRATEGY IN SMEs**

Currently, the theory of strategy is gaining more importance within Small and Medium Enterprises (SMEs). The theory deals with effective planning of business operations to ensure that attains a high competitive advantage. The theory also entails effective selection and identification of business or industry in which to operate. As a result, the firms' management teams are able to develop strategies relevant to the industry. From this definition, it is evident that the theory centers around developing a solid business structure whose goals are attained through a combined effort of all the parties involved. Brown and Eisenhardt, (1998) thought that, in considering the challenging nature of business environment, the success and survival of SMEs depends on how well they integrate the concept of strategic management. They further discovered that, the major discontinuities are experiencing with technology advances, time density and complex global interdependencies. In the situation of fast and random changes, SMEs have to compete on the edge of disorder where success and value makings are based on the implementation of continuous reinvention. Prahalad, (1998) also came up with the idea that, SMEs should consider that discontinuities might quickly change some core competencies into core rigidities and need to be developed rapidly to take advantage of new opportunities.

According to Richard (2003), there are five tasks that the management teams should integrate in their strategic management process. These include development of the strategic vision and mission, setting objectives, formulating

strategies to attain the set objectives, strategy implementation and execution. During the vision and mission formulation phase, management teams of SME's should think strategically about the firm's future. This means that the vision should consider the firms' future operation for a period of approximately 5 to 10 years. On the other hand, the mission should spell out what the firm intends to deliver to the customers and other stakeholders. The vision and mission formulated should be communicated to the employees to ensure that all their operations are focused at attaining the set objectives. Upon undertaking the aforementioned tasks, the management teams should consider undertaking continuous evaluation of the firms' performance. This will serve in ensuring that possible deviations are corrected.

Richard (2003) asserts that the strategy should contribute towards the firm's growth, ability to respond to changing market conditions, satisfy the customers, capitalize on emerging opportunities and attain its financial objectives. One of the ways through which this can be attained is by integrating the concept of innovation. According to Liang (2009, p.4) innovation refers to the process through which a firm introduces new products, services or operational concepts. Tremblay (2004, p.3) asserts that the success of SMEs is determined by the efficiency with which the management teams develops strategies based on innovation. For example, through innovation, a firm is able to venture into new market segments through development of new products. This is achieved through effective environment scanning to identify feasible investment opportunities.

### 1.3.2 THEORY OF CORE COMPETENCY IN SMEs

Hamel & Prahalad, (1990), state the theory of core competency stipulates that the firm's management team should first consider its strengths in the process of formulating its strategies. Hamel & Prahalad (1990) also define core competency as the specific factor possessed by a firm and is central to how the firm or its employees operate. For a factor to be classified as core competency, it must benefit the consumers and result into a high level of satisfaction. . This means that the core competence should be relevant to the customer so as to influence his or her decision to select the firm's product. The ultimate effect is that the firm's competitive position is enhanced. The factor should not be easily mimicked by the firm's competitors.

Core competencies enable a firm to develop a certain degree of uniqueness in the market compared to its competitors since their core competencies cannot be easily copied by other competing firms. By developing core competencies, a firm is able to survive in long term as a star. In addition; the core competency should have the capacity of being leveraged in different markets and many products. This means that the core competence should have a wide market potential (Vanhaverbeke, 2001, p.120). Hamel and Prahalad (2009, Para, 4) assert that if a firm's core competence can only be opened up to a limited and small niche markets, its success will not have the capacity of maintaining significant growth.

The theory of core competence also states that a firm's competitiveness in the long run is derived from the firm's ability to develop its core competence more speedily and at a relatively low cost compared to its competitors. In addition, a firm's core competence is influenced by the ability of the management to consolidate the firm's skills and technologies into competences. These competencies should be easy for the firm to adapt in its effort to cope with the changing business environment. According to Hamel and Prahalad (1990), a firm's core competence can consist of diverse combination of specific, integrated, inherent or applied skills, attitude and knowledge. Hamel and Prahalad (1990) asserts that a firm's core competencies are attained through continuous enhancement and improvement. In addition, core competencies should be focused at the firm's corporate strategies. This contributes towards the firm attaining a leadership position in designing and developing its products and services.

### 1.3.3 SUCCESS INDICATORS IN SMEs

In the operation of SMEs, it is important for the management teams to review the success of their firms. This plays a significant role in determining the probability of the firm succeeding in the future. There are a number of success indicators that the firm's management team can use in measuring the firm's success. One of the indicators that the firm should consider is evaluating the relationship developed between the firm and the customers. Customer relationship can be established by measuring the relationship index. To evaluate customer relationship, the firm's management team should consider a number of elements. For instance, the management should evaluate their payment trend; determine the ease of working with them and whether the firm generates enough revenue from them. By considering these factors, it will be possible to determine whether the firm has the right customer category. Alternatively, firm's management teams should also consider evaluating supplier relationships. For instance, the management teams should evaluate whether the suppliers are responsive to the firm's needs, the quality of the products supplied or whether they add value to the products they supply which is then passed on to its customers.

According to Anderson (2009), a firm can also use brand image as a success indicator. Brand image refers to the perception developed within the society regarding the organization and its products. By evaluating the firm’s brand image, it would be possible to determine the probability of the firm’s future success. This arises from the fact that the management can be able to identify the trend in the firm’s brand image.

SMEs can also use customer frustration as a success indicator. Anderson (2009,) asserts that it is the objective of every business entity to ensure that the customer receive a beneficial and consistent experience from the firm. This plays a significant role towards developing customer loyalty. As a result, the firms’ management teams should consider measuring the degree of aggravations, negative surprise and frustrations that their customers experience in the course of conducting business with the firm. If the degree of frustration is high, the firm faces a risk of the customers shifting to the competitors in search of pleasant seller experience.

The firms’ management teams can also determine the degree of trust developed in the course the firm’s operation as a success indicator. If the degree management trust is low, there is a high probability of the employees and the general public erecting barriers aimed at slowing down implementation of various management programs. The degree of trust developed upon the management can be determined by evaluating the level of integrity and honesty amongst the employees and the general public.

In their operation, SMEs undertake various projects aimed at developing their competitive strength. As a result, these firms have incorporated project management concepts. The efficiency with which the project objectives are achieved can be used as a success indicator. In relation to project management, the firm’s management teams should also consider the efficiency with which the projects are completed according to the stipulated schedule, project budget and cost, quality and degree of innovation (Bendera, 1997, p.7).

The firm’s management teams can also evaluate the level of employees’ satisfaction and the degree of competence. Employees play a significant role in developing customer loyalty in course of serving the customers. If employees are happy, they will serve the customers effectively which contributes to them becoming happy with the firm’s service delivery. The management of the firm can determine whether the employees are satisfied by evaluating the rate of absenteeism, turnover and complaints. In addition, the management team can evaluate employee competencies by developing a competency matrix. The matrix should define the skills required and the skill level. All the firm’s employees current skill level should be measured as percentage. The gaps identified from the matrix should form the basis for conducting further employee training (Anderson, 2009).

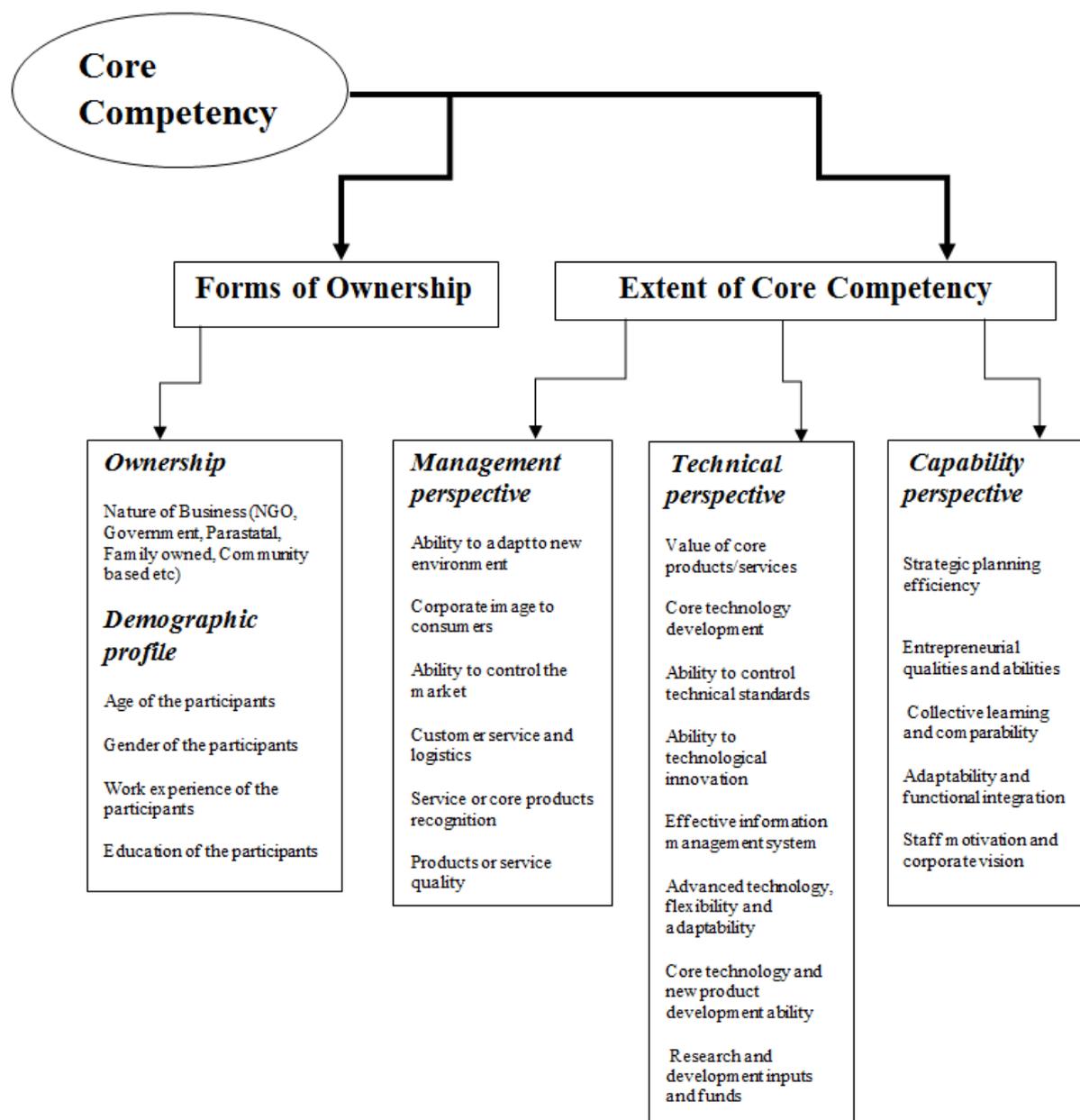
**2 MATERIALS AND METHODS**

This is a qualitative investigation associated with inductive approach for evaluating core competencies in relation to SMEs. The inquiry research framework is integrated in this study. This is also incorporated with high degree of critical thinking and theorizing in evaluating the idea of core competence of SMEs. The research variables considered include the *form of ownership* and the *extent of core competency* attained. In the core competency identification three perspectives were included in the model building. These are *management, technical* and *capability perspectives* as in table 1

*Table 1: Variables summary and Descriptions*

Type of Variable	Name	Description
Predictor Variable (Independent variable)	Extent of core competency attained	<b>Factor with three levels :</b> -Management perspective -Technical perspective -Capability perspective
	Forms of Ownership	<b>Factor with four levels:</b> -Type of business (family, partnership, private) -Participant’s gender -Participant’s age -Participant’s educational level -Participant’s knowledge of business
Response Variable (Dependent variable)	Core competency	The outcome (response) variable of our interest to be explained (predicted) by the predictor variable. It is a single factor variable.

In addition, this model contributed towards ensuring that the resources used in conducting the study were appropriate. As a result, sufficient evidence was gathered to support the deductions. The model also ensured that the decisions made based on the study will serve in extending further learning in the future. The following draw visualizes the variable sharing in the model.



**Figure 1: Variable sharing in the model**

**Source:** Researcher's own elaboration on core competency

The inquiry process entailed preparing the research through identification, exploring and inquiring the core competencies in relation to SMEs in Tanzania. To identify the core competences, the sample was located, selected and information gathered from the identified respondents. This contributed towards enhancing the analysis, evaluation, testing, sorting and synthesize of the data collected. All the possible errors were revised to ensure that the findings presented were accurate.

In consideration of research problem and purpose, a number of research questions were formulated. These are: What are core competencies in the efficient performance of SMEs in Tanzania?; Which are the most core competencies in relation to

Tanzanian SMEs?; What are the impacts of these competencies on the efficient performance of the SMEs in Tanzania?; Are there any significant differences between core competencies in various Tanzanian SMEs and those SMEs from China?; What is the present situation of the core competencies in the SMEs in Tanzania and China?. In testing core competencies in SMEs, both null ( $H_0$ ) and alternative ( $H_A$ ) hypothesis were considered.

$H_0$  = SMEs in Tanzania have effectively developed core competencies in their operation with reference to SMEs in China

$H_A$  = SMEs in Tanzania have not effectively developed core competencies in their operation with reference to SMEs in China.

Random sampling from target group of SMEs in Tanzania was conducted and consisted of individuals who operate SMEs. The SMEs studied were sampled into two categories. These included proprietors in the local or rural SMEs and the Urban SMEs. A total of **95** mail questionnaires sent, **73** of them (**76.8%**) marked as sent and received by respondents (they have arrived to their mail accounts) while **22** of them (**23.1%**) indicated failure delivery to the respondents. Eventually, among the **73** sent and received questionnaires, only **45** responded and received by the researcher. These represent overall response rate of **61.6%**. **Analysis therefore is limited** to these **45** completed SMEs (approx. **0.06%** of the total SMEs population in Tanzania) and was considered as sample size from the entire population. The average number of employees in these firms was **57**. Among the 45 SMEs, 33(73%) are providing business products, 9(0.2%) providing services and 3(0.067%) are providing both products and services. The urban SMEs sampled from the entire population included those located in major Tanzanian cities. The cities considered in the sample included Dar es Salaam, Arusha and Zanzibar. The sample group also included associated parties such as the government through the Department of Commerce. In addition, other stakeholders such as the SME clients and the employees were also considered in the sampling process.

The analysis involved the use of statistical software packages SPSS and Excel and both qualitative and quantitative tools of data analysis were used. Qualitative analysis enabled the researcher to explore the core competencies in relation to SMEs which are non-numerical in nature. On the other hand, the quantitative data analysis method was used in evaluating the extent to which firms in Tanzania have developed core competence in their operation. From the interview questionnaires, it was revealed that the SMEs have adopted different forms of business structure. The different forms of ownership identified included family business, partnerships and private limited company. Also the Participant's gender, age, educational level and knowledge of business were included in the form.

Considering the fact that there are many SMEs in Tanzania, it would be difficult to consider all the firms due to time and resource constraints. Through random sampling, it was possible to obtain a sample which was representative of all SMEs in the entire market.

By considering a sample size of 45 SME companies, it was expected that it would cover all the areas needed to be studied in the research. The sample size integrated both urban and rural SMEs. By selecting the research sample through random sampling, the estimates obtained were not biased. As a result, the probability of the data collected being correct was increased. In addition, selecting a study population through random sampling is easy. The cities considered in selecting the sample are located in different geographical regions. The decision to consider different cities in the study was arrived so as to ensure that the study was representative of all urban SMEs in Tanzania.

Due to financial, language and time constraint, the researcher was not able to conduct a primary research on SMEs in China. As a result, data collected in relation to SMEs in China was mainly from secondary sources and previously published studies and literatures. This limitation might not represent all Chinese SMEs in general. Another constraint is that, straight dimensions of the competency skills are not easily accessible and therefore more strong methods like structural equation modeling could make more particular and precise results of the same study. Also increased use of secondary sources of data results into a decline in the degree of reliability. This is due to the fact that there is a probability of the data being manipulated. In addition, the study was also limited by inadequate financial resource. Moreover, all of the responses from the questionnaires were filled by managers particularly and there may be loss of some important information due to the managers' delegation and official absence from the office.

### **3 RESULTS AND ANALYSIS**

The table below shows the mean ownership forms and the extent of core competency with comparison of the mean ownership of SMEs in Tanzania and China for business types.

**Table 2: Mean ownership of SMEs in Tanzania and China for business type**

Form of ownership	Mean (%) -Tanzania	Mean (%) -China
Family owned	45	25
Partnership business	20	35
Private limited company	35	40

The Univariate Analysis of Variance for the distribution of the responses in the predictor variables and their levels are shown in the table below

**Table 3: Distribution of the responses for the extent of core competency variable**

Variable	Measure	Management	Technical	Capability
Extent of Core competency	N (valid)	42	32	38
	Missing	11	21	15
	Mean	2.16	1.68	2.82
	Median	1.80	1.45	2.08
	Mode	5	2	2
	Std Deviation	1.25	1.04	0.81

In the management perspective, the core competency shown to have higher responses, thus basing on this data it indicates that the SMEs drive in their business success regarding customer service and logistics and also strive for working behind corporate image to customers (Reputation)

In addition, the firms are showing that, they have not received any relevant or technical training before start operating their business. However, they believe in growth and development and they need it.

**Table 4: Distribution of the responses for the forms of ownership variable**

Variable	Measure	Gender	Age	Education	Knowledge of Business
Forms of ownership	N (valid)	45	44	44	38
	Missing	8	9	9	15
	Mean	0.76	5.16	3.18	2.70
	Median	1.00	6.00	3.00	2.73
	Mode	1	6	3	3
	Std Deviation	0.44	1.58	0.84	0.28

In examining the Tanzanian SMEs and Chinese ones in terms of management, technical and competitive capability as indicated in the figure below, it is clear that the differences among the skills is highlighted for the core competency skills. Most of the capability skills found in Chinese SMEs (5.42%) then in Tanzania SMES that seem to be (2.82%). The other differences in competencies can also be observed.

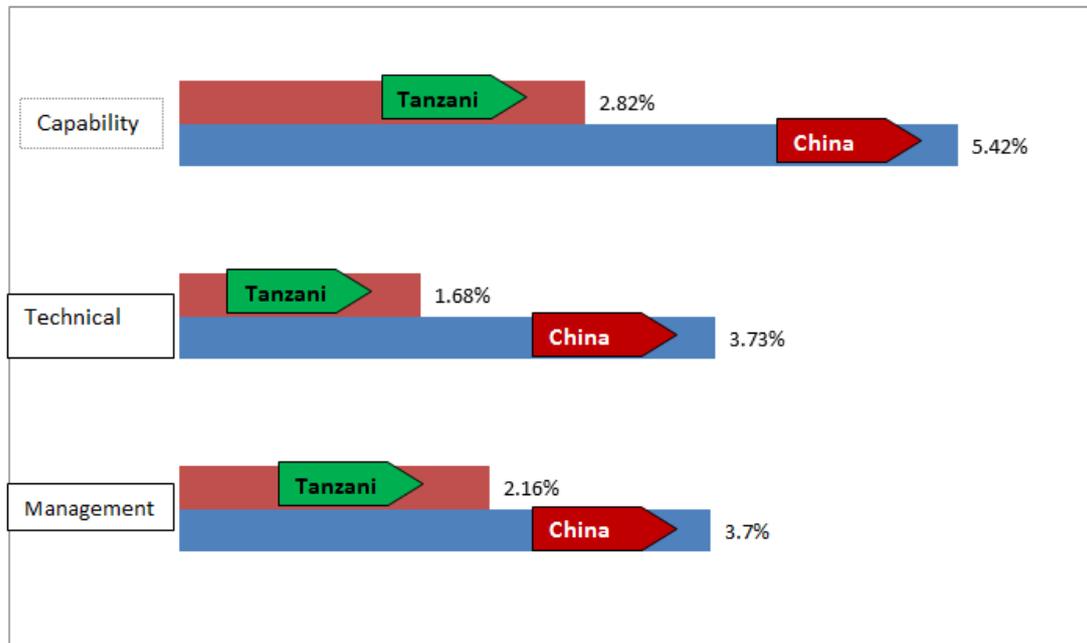


Figure 2: Percentage of the studied Tanzanian SMEs with reference to China SMEs.

A number of core competencies were identified in relation to SMEs. These include the extent to which technology has been incorporated in the operation of SMEs, firm’s management strengths, access to international market and the degree of customer service. In comparing SMEs in Tanzania and China, the identified core competencies were evaluated by rating them in comparison to each country. Rating was considered necessary due to the qualitative nature of the research findings.

The firm’s management strength was determined by evaluating the efficiency and effectiveness with which strategies aimed at developing the firm’s core competencies are formulated and implemented. In addition, the evaluation criteria also considered the control mechanism put in place to ensure that possible deviations are identified and eliminated. The firm’s access to international market was evaluated through consideration of the extent to which the SMEs have integrated the concept of internationalization in their operation. According to Solberg, Kristiansen and Slatterbrekk (2002, p. 2), internationalization enables a firm to venture into the international market by incorporating various strategies such as through foreign direct investment, exportation or use of agents.

In evaluating technology as a core competence, the extent to which firms have incorporated the current technology in their operation was analyzed. This included consideration of the various economic sectors in which the firms operate. For instance, the current manufacturing technology was used as a determinant of core competency for firms in the manufacturing industry. Considering the fact that all the firms undertake marketing processes, the study evaluated how the extent to which the SMEs utilize diverse electronic commerce technologies in undertaking their marketing process. Consideration of electronic commerce also enabled the determination of how the efficiency with which the SMEs conduct customer service. The table below illustrates a rating of the core competencies identified in Tanzanian and China SMEs.

Table5: Comparison of core competencies observed between China and Tanzania

Core competency	Rating	
	China	Tanzania
Level of technology incorporated	5	1
Management strength	5	2
Scale of market coverage	4	3
Effectiveness in customer service	4	2
Degree of collaboration	4	1

Rating: 1= weak, 2= moderately weak, 3= moderately strong, 4= strong 5=very strong

From the above table, it is evident that the SMEs in China have developed a relatively high core competencies in their operation compared to its counterpart, Tanzanian SMEs. However, understand the concept of core competency and being able to pinpoint it help these SMEs to realize what they really do better than anyone else and if what they already have in hand have really some unique competences.

#### 4 DISCUSSION AND IMPLICATION

According to a study by International Trade Centre (ITC) (2007, p. 1), Tanzania is characterized by a poor technological infrastructure. This has also revealed the poor technological innovation in SMEs. Poor technological infrastructure is enhanced by existence of weak industrial support institutions which operate in isolation. These firms do not focus on the key requirements of the Tanzanian SME sector. In addition, the technologies available in the country have not been sufficiently disseminated to the SMEs while at the same time they cannot afford the technological services provided by the large institutions. This has limited the development of core competencies amongst the SMEs. As a result, the rate of invention and innovation amongst the SMEs has been hindered ('International Trade Center', 2007, p. 1). In addition, the country's low quality technological infrastructure has resulted into the SMEs producing low quality goods. The ultimate effect is that the products developed in the Tanzanian SME sector are not able to compete effectively in the international market. In addition, the county is characterized by poor a communication network.

Most of the respondents revealed that Tanzania does not have a well established internet and telephone infrastructure. This limits the firms' ability to conduct effective customer relationship management ('International Trade Center', 2007, p. 2). Lack of good infrastructure in Tanzania has limited the efficiency with which SMEs undertake their marketing processes. This is compounded by the fact that the country does not have well developed technological infrastructure for the success of electronic commerce. The resultant effect is that the country's SMEs are not able to compete sufficiently in the international market.

Tanzanian SMEs have also integrated the concept of collaboration through formation of partnerships and subcontracting. However the, degree of collaboration established between the large enterprises and the SMEs in Tanzania is very weak. This has resulted into insufficient development of core competence. In addition, Tanzania does not have sufficient entrepreneurs due to lack of proper training. This has resulted into the country's SMEs being characterized by poor marketing capabilities (Rutashobya & Olomi, 1999, Para. 5)

With its counterpart, China, the findings of this research revealed that the high rate of economic growth in China has contributed towards more SMEs being established.

Currently, there are 42 million SMEs in China which represents 99% of all business in the country. The SME sector accounts for 68% of the total country's exports. As a result, the sector contributes approximately 60% of the country's Gross Domestic Product (GDP). The study revealed that 80% of the firms have managed to develop new products in the course of their operation (Liang, 2009, p. 3). Through innovation, the SMEs in China have managed to develop a high brand image globally. Brand image refers to the general public perception regarding a firm's products. SMEs in China have managed to attain a high brand image since the firm's products are able to meet the market demand culminating into a high level of customer satisfaction. In addition, the SMEs brand image is enhanced by effective product packaging and adoption of good marketing skills through incorporation of electronic commerce. In the production process, SMEs in China have incorporated the concept of specialization which ensures that the products produced are of high quality and are produced cost effectively.

The management teams of SMEs in China have realized that the customer is the most important asset in the success of every business enterprise. As a result, they have developed a culture of ensuring a high level of customer service. This has been attained through effective integration of Customer Relationship Management (CRM). Most of the SMEs in China have incorporated the CRM software which has enabled them to receive market feedback cost effectively.

Liang (2009, p. 3) asserts that integration of a high degree of core competences by SMEs has greatly contributed towards the country's economic growth. SMEs in China have developed relatively high level of core competences from the accession of the country into WTO in 1978.

The success of SMEs in China is associated with the fact that most of the firms in this sector have integrated the concept of invention and innovation in developing their core competence. Liang d (2009, p. 3) asserts that innovation has been a vital driving force for SMEs in China for the past two decades. The findings of the study revealed that the technological environment has greatly supported the development of core competence in Chinas SMEs. For instance, a considerable number of SMEs have been able to conduct successful research and development resulting into invention of new products. This has contributed towards most of the SMEs being strategically positioned in the market by being different. According to

Guo, Wang, Shen and Res (1999, p. 1), the innovation undertaken by these firms is mainly based on technology. In their operation, it is paramount for SMEs to integrate effective strategy formulation and implementation. The strategies developed act as a roadmap which guides business operations. The strategy should be in line with the firm's goals and objectives. To ensure that the strategy developed contributes towards the intended success, business managers should conduct continuous evaluation of the set strategies. Through evaluation, it is possible for the management to identify possible deviations and control them. A firm's strategic activities should contribute towards enhancing the firm's competitive advantage.

The findings of the study revealed that different forms of SME ownership had an influence on the core competence developed in the firms. Private limited companies had found developed a relatively high core competencies compared to the family owned and partnership forms of SMEs.

## **5 CONCLUSION**

The development of core competence in China and Tanzania is that found related in a number of ways. In both countries' technology is considered as a key determinant in the success of SMEs. This is due to the fact that it enables the SMEs to compete effectively with the large enterprises. This is attained through incorporation of effective product invention and innovation. Invention and innovation enables the SMEs to venture into new market segments.

From the study, it is evident that development of core competencies plays a significant role in the success of SMEs. Core competences contribute towards the long term survival of SMEs in an environment characterized by a high rate of dynamism. This means that attainment of core competences is consistent with the theories of strategy, theory of core competencies. This is due to the fact that the SMEs are able to develop a high level of core competences. A firm's core competences are influenced by both internal and external factors. Some of the external factors identified include political factors, economic factors, technological factors and economic factors. Findings of the study have revealed that there are a number of key competences which contribute towards the success of SMEs. Some of the core competencies in SMEs identified in the study in relation to Tanzania and China includes incorporation of technology in the course of the firm's operation, customer service, the level of business training, effectiveness in marketing etc. The study revealed that SMEs in China had a relatively high level of core competencies compared to those in Tanzania. Poor technological infrastructure, low level of managerial skills and lack of effective marketing are amongst the factors which were identified to result to low level of core competencies in Tanzania SMEs.

For SMEs in Tanzania to develop their core competencies, it is paramount for the relevant parties such as SME operators and the government to basically understand the importance of developing core competence in SMEs. The government should develop the technological infrastructure in the country to ensure that the SMEs develop their competitive strength. More research should be conducted to determine the factors contributing to the low level of core competences in SMEs which especially the family owned which form a large percentage of Tanzania SMEs. Investigating how the Tanzanian SMEs respond to the competitive business situation and broaden competition approaches could be a future research area. Also to explore how the business managers can integrate managerial, technical and competency skills effectively, taking advantage of their available resources and through understanding of core competence.

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