FACTORS AFFECTING COMPETITIVE ADVANTAGE OF SIDO SUPPORTED SMALL SCALE FURNITURE INDUSTRIES IN DAR ES SALAAM AND ARUSHA REGIONS, TANZANIA

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Abstract
This study was designed to assess the factors affecting competitive advantage of SIDO supported small- scale furniture industries in Dar es Salaam and Arusha cities of Tanzania. Primary and secondary data for the study were collected from furniture manufacturers and importers in the study area. A total of 127 manufacturers were surveyed, of which 79 were from Dar es Salaam and 48 from Arusha. Data were collected using questionnaires, focus group discussions and documentary reviews. Both qualitative and quantitative methods were used in the analysis of the data. The findings of the regression analysis tested at $p<0.05$ showed that age of the firm, initial capital, number of employees, price, location, diversification and networking significantly affected competitiveness of the SIDO supported small scale furniture industries. The recommendations emanating from the study are that the industries should allocate sufficient start-up capital, hire adequate number of employees and ensure effective utilization of employees for improved operational performance of the enterprises as well as ensure effective utilization of networking potentials for resource sharing and market access.

Keywords: *Competitive advantage, SIDO, Small scale furniture industries*

1.0 INTRODUCTION
The structure of SMEs in Tanzania is composed of several sub-sectors as noted by Mhede (2012) that woodwork is the largest sub-sector constituting about 30% of SME's activities, followed by metalwork (23%), food processing (18%) and textile (14%). It is important to note that all of the remaining sub-sectors such as construction, shoe-making, pottery, handcrafts, fishing and fishing boat making constitute 15% of the SMEs activities (Mwamila & Temu, 2006; Msoka, 2013). The dominance of the woodwork industry has been attributed to continued urbanization that demands higher supply of construction materials as well as furniture (Mutambala, 2011). SMEs provide basic goods and services such as furniture, which are less costly compared to goods and services provided by large scale producers and hence responding to the needs of the local population (Muhammad, *et al.*, 2010).

Despite the socio-economic importance of the SMEs to the Tanzanian economy, the sector is largely informal and is under-performing due to various constraints (Moshi & Mtui, 2008; Mashenene & Rumanyika, 2014). In recognizing the importance of the SMEs, the Government designed and implemented policies and programmes supportive to the development of the sector. To that effect, the National Development Vision 2025 was put in place. The vision among other things emphasizes on transforming the nation from a low productivity agricultural economy to a semi-industrialised one. This will be facilitated by modernised and highly productive agricultural activities which are reinforced by supportive industrial activities through active mobilisation of people and other resources (Mhede, 2012; Wangwe, *et al.*, 2014).

Cognizant of the critical role of the industrial sector, the Sustainable Industrial Development Policy - SIDP (1996 - 2020) was developed. Specifically, it places emphasis on promotion of small and medium size industries by supporting existing and new promotion institutions,

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simplification of taxation, licensing and registration of SMEs. It also emphasizes on improved access to financial services and encourages informal sector businesses to grow and be formalized (SIDP, 1996-2020). Other measures include the Small and Medium Enterprise Development Policy 2003; the National Strategy for Growth and Reduction of Poverty (NSGRP II); and the Five-Year National Development Plan 2011/12-2015/16, which clearly indicates the importance of industrial development in Tanzania (URT, 2010a). Moreover, the Government established institutions such as Small Industries Development Organisation (SIDO) to support SME sector. Mutambala (2011) noted that establishment of such institutions has facilitated development of programmes like extension services, financial and physical support services that are aimed at promoting the SMEs sector to raise productivity and competitiveness. Despite these efforts, ability of small scale furniture manufacturing firms to compete with imported furniture has remained low (Isaga, 2012).

Most of the studies on furniture industry have paid attention on general issues relating to the sources of sustainable competitiveness in both emerging and established markets, importance of furniture industry to country economy and possible impediments to the growth of the furniture industry (Ngui *et al*., 2011; Purnomo *et al*., 2013; Wan, 2014;). Specific factors hindering small scale furniture industries' competitive advantage have not being studied. Thus there is a knowledge gap on this matter. This study therefore, analyzed the factors affecting competitive advantage of SIDO supported small scale furniture industries in Dar es Salaam and Arusha regions of Tanzania.

2.0 THEORETICAL FRAMEWORK

This study is built on the foundation of competitive advantage theories. Competitive advantage theories are explained by the Porter's five forces perspective, the Porter's generic strategies perspective, the resource based theory and the dynamic capability theory. In general, these theories explain the sources of and how a firm can achieve its competitive advantage**.** Porters five forces model was used because it explains how external environmental forces can affect competitive advantage and is useful for structuring an analysis of the firm. However, it is not a useful model on its own to understand discrete firm strategies. To overcome this weakness, generic competitive strategy was also employed.

On the other hand, Resource Based Theory (RBT) was used to complement generic competitive strategies over Porter's five forces theory, which is quiet about the firm internal resource and capabilities, in explaining and analysing firm's competitive advantage. RBT is useful in providing analysis on decisions and competencies emanating from a firm rather than its environment. This is because, while the main objective of the Porter's approach to strategy is to obtain and maintain favourable positions in product markets to earn revenues, the resource-based view sees strategy as both constrained by and dependent upon the firm's collection of resources (Barney & Clark, 2007). RBT holds the point that competitive advantage derives from firm-specific resources and capabilities. RBT does not adequately explain how and why certain firms have competitive advantage in situations of rapid and unpredictable change. As a result, dynamic capability theory was also used in order to provide analysis on how firms work in a turbulent environment and with constantly technological changes and at the same time obtain a competitive advantage (Teece, 2007). Based on these reasons, it is interesting to integrate four complementary perspectives, the Porters five forces model, generic competitive strategies, the resource-based view, and the dynamic capabilities. These theories are critical in this study because they jointly explain the reasons for firm performance differentials as well as how a firm competes in a particular business and gains a competitive advantage through a distinctive way of competing.

3.0 METHODOLOGY

The study was carried out in two cities in Tanzania, namely Dar es Salaam and Arusha. The two cities were chosen because they are among the largest cities in Tanzania. Arusha is the fourth largest city of Tanzania, after Dar es Salaam, Mwanza and Mbeya. Furthermore, the cities are among regions with highest number of manufacturing firms in Tanzania. According to Ishengoma (2005) and Mhede (2012), Dar es Salaam is the leading location in terms of small scale industries (41.13%) followed by Arusha and Moshi (20.57%), Mwanza 8.2% and most of these industries are urban based. Tanga 6%. Other town/cities such as Mbeya, Morogoro and Tabora, have lower number of manufacturing activities than these regions. In addition to that, institutions that provide support to small scale manufacturers such as Arusha Technical College (ATC), Vocational Training and Service Centre (VTSC), Dar es Salaam Institute of Technology (DIT) as well as Small Industrial Development Organization (SIDO) are located in the study areas.

Small scale furniture industries were purposively selected because they have been supported by SIDO in terms of finance, equipment as well as technical assistance. In Dar es salaam SIDO supported small scale manufacturers were selected from Keko (Temeke district), Buguruni-Malapa (Ilala), and Mbezi Beach kwa Komba (Kinondoni), while in Arusha they were selected from Namanga-Moshi Road, Sokoine road and industrial area. The study sites were purposively selected because they have been in business long enough to provide information on profitability (Competitive advantage). For a firm to be selected it must have been in operation for minimum of five years because this is time enough when one can judge if the firm is making profit or not. The formula by Fisher *et al*. (1991) was used to determine sample size. Therefore sample size for SIDO supported small scale furniture manufacturers was 127. Out of that 79 and 48 were for Dar es Salaam and Arusha respectively. For the purpose of this study both primary and secondary data were collected through questionnaires and documentary reviews. It was necessary to use a combination of data in order to complement each other and to obtain sufficient and insightful information for the study.The study employed both qualitative and quantitative analysis. Qualitative analysis was done by organizing the data and creating categories and themes. In this study excerpts were used to give representative information required. Further, open–ended questions in the FGDs were organized into themes pertinent to the study. Profitability ratios were used to establish rate of return on investment for SIDO Supported small scale furniture industries.

$$RORI = \frac{TR - TC * 100}{TC}$$

Where: RORI = Rate of Return on Investment, TR = Total Revenue, TC = Total Cost

To examine factors affecting competitiveness of SIDO supported small scale furniture industries Ordinary Least Squares technique (OLS) was used. This model allows estimating the relation between a dependent variable and a set of independent variables (Kavitha *et al*., 2013). Competitiveness is a dependent variable and was measured using RORI. Regression analysis was specifically used to determine the effects of age of the firm, education level of owner, capital, diversification, availability of professional skills, registration, taxes, networking, operating rules and regulations, credit and technology on RORI of SIDO supported small scale furniture industries. The OLS equation of the following form was estimated

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_p x_P + \varepsilon \quad \text{.....1}$$

Where:

Y = Dependent variable (in this case Profit**)** measured as RORI

$x_1 - x_p =$ Independent variables which includes, age of the firm, education level of owner, capital, number of brands, availability of professional skills, registration, taxes, networking, bylaws, and credit.

$\beta_1 - \beta_P =$ Regression coefficients;

$\alpha =$ Intercept.

$\varepsilon_i =$ Error term.

For the purpose of this study the specific model that was estimated is as follows:

$$Y = \alpha + \beta_1 AGE + \beta_2 CAP + \beta_3 LOC + \beta_4 EDC + \beta_5 PRI + \beta_6 EPY + \beta_7 DIVE + \beta_8 NET + \beta_9 ORP + \beta_{10} CRD + \beta_{11} TECH + \varepsilon \quad \ldots\ldots 2$$

Explanatory Variables and the Hypotheses Included in Regression Analysis

Variables	Unit of Measurement	Hypotheses
Y	Profit of SIDO supported small scale industries measured by RORI	
AGE	Years since its establishment	Positive (+)
CAP	Initial capital in TZS used to start a furniture manufacturing firm	Positive (+)
LOC	Number of kilometre from city centre	Positive (+)
EDC	Education of the furniture industry owner measured as years spent schooling	Positive (+)
PRI	Amount of money in TZS	Positive (+)
EPY	Number of employees in the firm	Negative (-)
ORP	Operating rules and procedures (Dummy, 1 if available, 0 if not)	Negative (-)
NET	Number of other furniture manufacturing firms a particular firm collaborate with	Negative (-)
DIVE	Diversification (Number of furniture items produced	Positive (+)
CRD	Credit (Dummy, 1 for access to credit and 0 Otherwise)	Positive (+)
TECH	Technology (Dummy, 1 if technology affects profit and 0 if not).	Positive (+)

Before conducting regression analysis, multi-collinearity was checked. There are two major methods that were used in this study, in order to determine the presence of multi-collinearity among independent variables. These methodologies involved calculation of both a Tolerance test and Variance Inflation Factor (VIF) (Kleinbaum *et.al*, 1988, Sivathaasan, 2013). Velnampy *et al.* (2014) and Menard (1955) suggested that a tolerance value less than 0.1 almost certainly indicates a serious collinearity problem. Furthermore, Myers (1990) also suggested that a VIF value greater than 10 calls for concern. In this study none of the Tolerance level is less than 0.01 and VIF value is well below 10. Therefore, independent variables used in this study do not suggest multi-collinearity problem.

4.0 FINDINGS AND DISCUSSION

4.1 Characteristics of SIDO Supported Small Scale Furniture Industries

On average, SIDO supported small scale manufacturing firms had been operating for nine years. This indicates that SIDO supported furniture industries had been operating for a longer period compared to their furniture imports counter-parts. This reveals that locally made furniture are still demanded by the domestic market. Length of time in operation may be associated with availability of the market for selling furniture products. The findings showed that the average start-up capital for SIDO supported small scale furniture manufacturers was TZS 29 240 000. This implies that SIDO supported manufacturers' started their business with low capital. Further, the mean number of employees for SIDO supported manufacturers was three. As the size of the micro-enterprises became bigger (i.e. in terms of the number of employees), more profits were expected to be realized.

Table 1: Characteristics of SIDO supported small scale furniture industries

Variables	Min	Max	Mean	Std. dev
Firm age	4.00	21.00	8.7087	3.25896
Startup capital	5000000	50000000	29240000	3282
Number of employees	.00	6.00	3.0079	1.24897

4. 2 Availability of Customers in the Past Five Years

When assessing the availability of customers for locally made furniture for the previous five years, 51% of the respondents reported that the number of customers had been increasing; 37% of respondents said that the number of customers had been decreasing whilst 12% reported that there was no change at all (Fig. 1). The findings validate that locally made furniture items are still needed, although the number of customers increases in a decreasing rate. This may be so because of emergence of other firms which offer almost similar products.

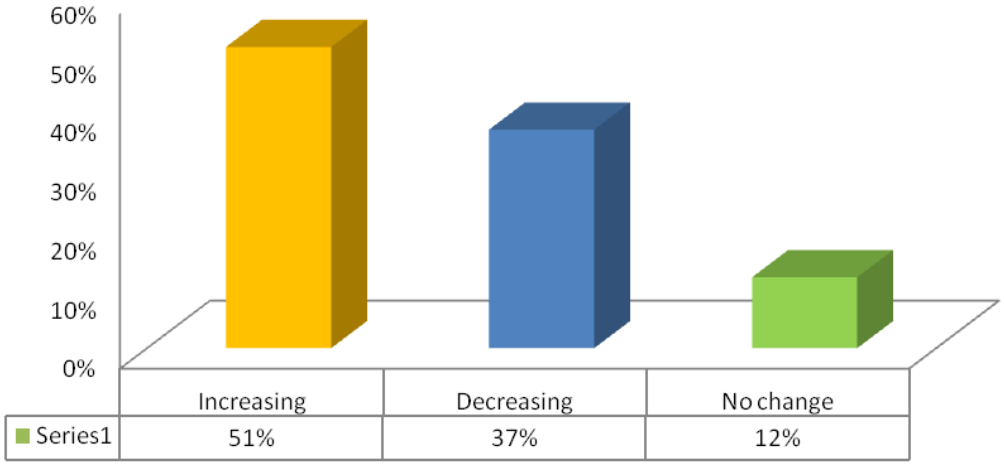

Figure 1: Availability of customers in the past five years

Participants in focus group discussions both in Dar es Salaam and Arusha cities also admitted that for the previous five years the number of customers had been up and down. Some reported that they had been able to retain potential customers; other reported to attract few new customers while others said the number of customers was decreasing. One participant from a focus group discussion (Arusha City) said:

> "*...In our firm we have been experiencing a different story; the number of customers has been fluctuating yearly. There is a time when the number of customers increases and again there is a time when we serve few customers...".*

Another participant from a focus group discussion (Dar es Salaam City) said:

> "*...For the past two years we have been able to increase the number of customers, although the pace is very small compared to the effort we exerted*." However, one participant said: *"For the first years of operations the firm was experiencing high influx of customers, but later on the number started decreasing to the extent that we cannot predict their availability...*"

4.3 Reasons for the Change in Customers

It was found that there were multiple reasons for change in customers in the previous five years for locally made furniture. The findings in Table 2 show that 79.4% of the cases reported that emergence of new modern furniture ventures was the main factor for change in customers. Others reported that availability of substitute products (67%), poor marketing strategy (45.8%), failure to cope with customers' demands (44.9%) and inadequate innovation (36.4%) were the reasons for change in customers for locally made furniture. This implies that for SIDO

supported small scale manufacturers to compete effectively they have to address some or all of the reasons mentioned which have led to the decrease in number customers. This is in line with findings of a study done by Nag (2000) who found that liberalization has resulted into more competition, increased quality consciousness, difficulty in marketing, reduction in profit margin and high level of customer satisfaction.

Table 2: Reasons for the change in customers

Reasons	Responses		% of Case
	n	%	
Failure to cope with customers demand	48	16.4	44.9
Emergence of many furniture venture	85	29.0	79.4
Availability of substitute products	72	24.6	67.3
Inadequate innovation	39	13.3	36.4
Poor marketing strategy	49	16.7	45.8

Similarly, the findings from focus group discussions both in Arusha and Dar es Salaam cities showed that there had been diverse reasons for the change in number of customers. Some noted that the support they got from SIDO helped them to manufacture many attractive furniture items and be able to attract and retain customers. Others said that mushrooming of furniture firms in recent years which sell furniture from abroad has resulted into shift of customers from their shops to other new shops while others admitted inadequate facility and poor marketing strategies as the cause for decreasing number of customers. One participant from (Dar es Salaam) said:

> "*...Before the support from SIDO, our business was targeting only few customers from our locality, but after the support we have been able to broaden the scope of operations, which resulted in increasing number of customers from different areas in Dar es Salaam...".*

Another participant (from Dar es Salaam) said the following:

> "*Many firms go down in terms of profit and customers simply because there is high influx of furniture items made from other materials which are now taken as modern fashion"*. In addition another participant (from Arusha City) said that: "*Our firms lack creativity and facilities to cope with the increasing demand of customers. Customers nowadays prefer very sophisticated items with good finishing which are expensive to make bearing in mind that we only work with simple equipment."*

4.4 Rate of Return on Investment Analysis

Table 3 shows the performance analysis of the SIDO supported furniture industries. The SIDO supported small-scale furniture industries obtained 37% return on a shilling invested.

Table 3: RORI analysis of SIDO supported small scale furniture industries

Item	SIDO Supported	SIDO Supported Dar es Salaam	SIDO Supported Arusha
Gross revenue	12,712,258	14,586,474.6	13,101,629
Gross profit	5,655,679	15,527,115	14,039,962
Total Cost	9,101,448	10,447,137.80	9,962,841.6
Net profit	3,610,810	4,139,336.80	3,138,787
Rate of Return on Investment	37%	40%	31%
Profitability Index	0.3701	0.3962	0.3150

The findings (Table 3) further show that the overall profitability index for SIDO supported small scale furniture industries was 0.3701. This implies that for every shilling earned as revenue, 37 cents returned to the furniture industries as net income. This is an indication that investment in small scale furniture industries generates profit. Overall, furniture business was

found to be more profitable in Dar es Salaam than in Arusha as 39 and 31 cents returned to the furniture industries as a net income respectively. This implies that some domestic furniture items are preferred. This might be so because of pricing methodology which favours customers in terms of their affordability.

4.5 Factors Affecting Competitiveness of Small Scale Furniture Industries

With regard to factors affecting competitiveness of small scale furniture industries, regression analysis was performed. The analysis (Table 4) used Rate of Return on Investment (RORI) as the dependent variable against eleven (11) independent variables. The results of the regression analysis model summary show that R was 0.831, R square was 0.691 and adjusted R square is 0.663, meaning that 69% of the variance in performance could be predicted by the variables included in the model. Furthermore, the overall fit of the model (F-test = 24.401 and the p-value = 0.000), was highly statistically significant. This means the model had enough explanatory power to predict variation in competitiveness.

The findings further showed that age of the firm, credit, initial capital, and number of employees, price, location, diversification and networking significantly affected competitiveness of small scale furniture industries. However, education, technology and regulations were found to be positively correlated but not significant. From the RBT point of view, a firm's resources have the potential and promise to generate competitive advantage, which eventually leads to superior firm performance. Financial resources such as cash in hand, bank deposits or savings, financial capital, human capital and other assets explain the level of firm competitive advantage. The theory further suggests that when key resources in a firm are combined or integrated, they are more likely to create competitive advantage for the firm (Barney, 1991). Porter (1980) argues that not all factors that have influence on firm competitiveness will have the same degree of effect on the intensity of competition and profitability in an industry; rather they will have varying levels of influence in shaping industry competition and profitability. On the other hand, dynamic capability theory asserts that firm resources, when integrated, allow creation of new products and processes, and thus respond to changing market environments. The details of the findings are discussed in sub-section 4.5.1 to 4.5.11.

Table 4: Results of regression analysis (Coefficients)

Variable	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig**	**Collinearity Statistics**	
	β	Std. Error	β			Tolerance	VIF
Constant	12.562	5.65		22.217	0.000		
Age of the firm	0.471	0.219	0.117	2.148	0.034	0.866	1.154
Credit	-0.633	0.318	-0.131	-1.988	0.049	0.589	1.699
Initial Capital	0.260	0.043	-0.451	-5.988	0.000	0.454	2.202
Education of owner	0.046	0.042	0.115	1.089	0.278	0.229	4.358
Number of employees	0.099	0.019	0.422	5.199	0.000	0.390	2.565
Technology	0.028	0.046	0.054	0.604	0.547	0.318	3.142
Price	-0.244	0.059	0.278	-4.163	0.000	0.577	1.734
Location	-0.189	0.035	0.356	-5.434	0.000	0.601	1.663
Regulations	0.043	0.040	0.088	1.070	0.287	0.379	2.638
Diversification	-0.112	0.045	-0.193	-2.473	0.015	0.423	2.364
Networking	0.053	0.020	0.209	2.679	0.008	0.422	2.368

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.831[a]	0.691	0.663	.22447

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	13.525	11	1.230	24.401	0.000[b]
	Residual	6.047	120	0.060		
	Total	19.571	131			

*Dependent Variable: CA (Measured by RORI) *Significant at P < 0.05*

4.5.1 Age of the firm

The findings show that age of the firm positively influenced competitiveness of small scale furniture industries and was statistically significant at β = 0.471, t-value = 2.148 and p-value = 0.034. This implies that any additional year of operation will increase performance of small scale furniture industry by 47%. This might be because of expansion or diversification of the furniture industry business which could lead to creation of customer loyalty or brand preferences to the industry. In addition, as number of years increases, small scale furniture industries accumulate experience in terms of material selection, technological and customer relations which could increase its propensity to actively make higher profit. This supports findings of a study done by Aworemi *et al*. (2010) in which it was found age of the firm influences competitiveness because of being able to take better production decisions. From Porter's view, it can be argued that the number of years or experience of the firm in running business determines its competitiveness as it can lead to customer loyalty or brand preference. On the other hand, as far as the dynamic capability theory is concerned, the number of years a firm is in operation determines its capability in production and marketing strategies that may lead to firm's competitiveness (Fan, 2009; Terjesen *et al.*, 2011).

4.5.2 Credit

The findings showed that access to credit influenced the competitiveness of the small scale furniture industries and was statistically significant at β= -0.633, t-value = -1.988 and p-value = 0.049. This implies that a unit increase in access to credit improves the financial performance of small scale furniture industry by 63%. This is to say that limited access to credit has challenged small scale industries to utilize other opportunities when they arise. The possible reasons may be because of the financial support they get from SIDO which capacitated the small scale furniture industry to operate with full potential and hence facilitated good performing environment for them to survive and continue in the business. To the contrary, Kinyua (2013) found that access to finance was significantly associated with profits, and access to finances was found to significantly affect performance of SMEs. From Dynamic capabilities point of view, a firm which is capable to combine and coordinate internal and external resources, gain and internalize new knowledge from other organizations, can transform and reconfigure the resource base into new processes or routines (Yu and Wu, 2007).

4.5.3 Initial capital

The findings indicated that initial capital of the small scale furniture industries was statistically significant at $p < 0.05$ with β = .260, t-value 5.988 and p-value =0.000. The coefficient of variable indicated that a unit increase in the amount of initial capital of the small scale furniture industries increased the performance of the industries by 26%. This shows that small scale furniture industries had some sources of securing funds which allow furniture industries to operate and survive in the market. This is in line with findings of a study done by Asinski (2006) who found that initial capital investment is a very strong predictor of competitiveness. Likewise, a study by Koop *et al.* (2000) found that the amount of starting capital was positively related to business success. This is consistent with the RBV theory which argues that a firm that is better able to raise internal funds enjoys competitive advantage by reducing financing costs and self-financing highly profitable investments. The RBV theory further suggests that financial capital, cash in hand and savings explain the level of firm competitiveness (Morgan *et al*., 2004; Ainuddin *et al.,* 2007). From the dynamic capability perspective, competitive advantage of a firm in dynamic market rests on firm specific asset position (Eisenhardt and Martin, 2000), and is in turn shaped by start-up capital as well as financial and physical capital, namely money, land, buildings and equipment (Teece *et al*., 1997).

4.5.4 Number of employees

Findings further showed that number of employees significantly affects competitiveness of small scale furniture industries. These results were tested at $p < 0.05$ and the findings showed $\beta = 0.099$, t-value = 5.199 and p-value =0 .000. This is an indication that an increase in the number of employees will result in 9.9% increase in financial performance of small scale furniture industry if other factors remain constant. The implication may be because most small scale furniture factories are highly domestic and labour intensive which facilitate efficient use of working capacity and the workload and thus improve the performance of the factory. This is so probably because most of the furniture factories do not make use of modern equipment, machines and special skills. This is in line with findings of a study done by Amouh and Fordjour (2012) who found that number of employees reflects assembly of a large body of knowledge, skills, ideas and healthy competition among the employees that could positively affects its competitive advantage. Similarly, Kwame *et al.* (2013) observed that the number of employees in the business influence performance positively. The findings reflect RBV theory which argues that human capital pool (a highly skilled and highly motivated workforce) had greater potential to constitute a source of sustainable competitive advantage, i.e. to constitute a source of competitive advantage, the human capital pool must have both high levels of skill and a willingness (i.e., motivation) to exhibit productive behaviour. Porter (1998) argues that the higher the skills, the higher the rate of innovation, specialization and differentiation and thus leading to firm superior performance. On the other hand, DCT (2007) asserts that capability of managers and employees allows the introduction of varied new services, products, systems or processes that could lead to firm competitiveness.

4.5.5 Price

Price was also tested at $p < 0.05$ on whether it has effect on performance. The findings showed a highly statistically significant effect with $\beta = -0.244$, t-value = -4.163 and p-value = 0.000. The results revealed that a unit decrease in price will lead to increase of about 24.4% of financial competitiveness of small scale furniture manufacturing firm. This is an indication that locally made furniture factories set prices that reflect real income of many customers, including low income earners, and this facilitates them to succeed in the market. This is in line with findings of Ayozie (2008) who noted that in developing countries SMEs are able to compete in the market because they offer their products at prices the customers can bear. Porter (1980) argues that firm's pricing approach is a very important decision criterion that customers use to compare alternatives and thus leads to firm's position in the industry. i.e. a firm can price itself to match its competition.

4.5.6 Firm's location

Location of the firm was a strong predictor of competitiveness; the findings were statistically significant at $\beta = -0.189$, t-value = -5.434 and p-value = 0.000. This implies that a unit decrease in distance to the furniture industries from consumer's residence leads to an increase in performance by 18.9 %, other factors being held constant. This reveals that, since small furniture manufacturing industries are closer to customers, they clearly understand customer requirements, and this can help them create a competitive advantage from the loyalty of their customers. In addition, strategic location may enable them to access supplies. This is so probably because they do not have enough capital to promote their business through various media and transport supplies from a distance. This is in line with findings of a study done by Lucky (2011) who noted that strategic location is very important for firms, policy makers and entrepreneurs or business owners due to the key role it plays in strengthening the effectiveness of the firms. The findings tend to confirm Porter's (1998) arguments that competitive advantage is highly location specific that a firm differentiates itself from its competitors irrespective of its local market conditions in order to gain competitive advantage.

4.5.7 Product's diversification

Diversification was a strong predictor of competitiveness; the findings were statistically significant at β = -0.112, t-value = -2.4783 and p-value = 0.015. The coefficient variable indicates that the less a firm diversifies the higher the performance it attains. This implies that the more the industries are specialized the better they are able to compete in the market. This may be so because of being able to maintain the brand of the product. To the contrary, studies done by Patric (2012) and Osolio and Colino (2015) noted that diversifying firms have higher level of return on assets compared to non diversified firms. The RBV of the firms predicts that firm's levels of diversification may exploit economies of scope and thus becomes more competitive than its rivals (Barney, 1997; Palich *et al*., 2000; Wan *et al.,* 2007).

4.5.8 Networking

Networking has impact on competitiveness. The findings were statistically significant at $p < 0.05$ with $\beta = 0.053$, t-value 2.473 and p-value = 0.008. This implies a unit increase in level of networking will lead to about 5.3 % increase in performance. This is an indication that small scale furniture industries network with other industries of the same nature. As a result, it enhances the chances for improved customer's services, improved products as well as sharing of resource and market access that could lead to better financial performance. This supports findings of a study done by Surin and Wahab (2013) who found that networking is positively and significantly related to business performance in SMEs in Malaysia. This is consistent with RBV as interpreted by D'Cruz and Rugman, 1994); Ahuja, (2000) that firms form network relationships to obtain access to technical or commercial resources. From dynamic capabilities perspective, firm networking is a source of competitive advantage. Networking, personal or relation-base or strategic alliance, enables acquiring the requisite complementary resources and capabilities and thus lead to competitiveness of the firm (Coh, 2005).

4.5.9 Education

Education was found to be non-significantly related to furniture industry competitiveness ($p < 0.05$ with $\beta = 0.046$, t-value = 1.089 and p-value = 0.278). This suggests that increase in level of education will not necessarily lead to increase in performance. The reason may be level of education alone may not influence the performance of furniture industries rather skills and experience. This supports findings of studies done by Aworemi *et al.* (2010) and Kwame *et al.* (2013) who observed that the number of years of formal education attained by an entrepreneur is not associated with the performance of small scale enterprises. With regard to RBV, personal creativity or intuition, and not number of years of schooling, is the one that leads to creation of quality material, service or product and thus makes it difficult for competitors to imitate (Barney, 1991). From the dynamic capability, perspective managers integrate their business, functional and personal expertise to make choices that shape strategic direction of the firm (Eisenhardt and Martin, 2000).

4.5.10 Technology

Findings show that technology used did affect competitiveness of locally made furniture. These findings were tested at $p < 0.05$, $\beta = 0.028$, t-value = 0.604 and p-value = 0.547. This is an indication that small scale furniture manufacturers use low level of technology and rudimentary machines. The possible reason may be that they could not afford hiring advanced technology; they rather depend on labour intensive which is cheap. Because of low level of technology used in furniture production they cannot have massive production to enable them enjoy economies of scale. This is in line with findings of a study by Remi *et al.* (2010) who noted that problems that hinder the advancement of small-scale enterprises include persistently low level of technology. From resource based view, a firm gains its competitive advantage based on services added in products as a result of adopting new technology. According to dynamic capability theory, firms with superior competitive positions in market are those who can respond to change

in technology and market condition rapidly and coordinate and redeploy internal and external resources effectively.

4.5.11 Regulations

Findings show that, overall, national regulation does not affect competitiveness of small scale furniture industries. The findings were tested at $p < 0.05$ and produced non-statistically significant results with $\beta = -0.043$, t-value -0.070 and p-value = 0.287. This might be attributed to the fact that these regulations have not capacitated SMEs to operate efficiently to the extent that they are able to ensure superiority of the products against external products. This supports findings of a study done by Anga (2014) who confirmed that government policies and regulations of the SMEs are less likely to affect the performance of SMEs. The findings tend to confirm Porter's (1998) argument that there is no strong evidence that policy support eases market entry or lead to increased competition.

5.0 CONCLUSION AND RECOMMENDATIONS

Findings from this study indicates that about 69% of the Competitiveness of small scale furniture industries was due to age of the firm, amount of credit, size of initial capital, number of employees, price, location, diversification and networking. A unit increase in age of the firm would cause an increase in financial performance (competitiveness) of small scale furniture manufacturing firm by 47%; a unit decrease in access to credit would cause an increase in financial performance by 63%. Also a unit increase in initial capital would result in an increase in financial performance by 26%. Further, a unit increase in number of employees would facilitate an increase in financial performance by 9.9%; a unit decrease in price would lead to an increase in financial performance by 24% while a unit decrease in distance to the furniture industries leads to an increase in performance by 18.9 % and a unit increase in level of networking would lead to about 5.3 % increase in performance. This study made contribution to knowledge by establishing that age of the firm, credit, and initial capital, number of employees, price, location, diversification and networking have a greater influence on competitiveness of small scale furniture industries compared to other factors and competitive advantage theories used in this study provide only limited insights on the competitiveness of SIDO supported small scale furniture industries in Tanzanian. When each theory is examined independently, none of them fully explains the complexity of competitiveness of the small scale furniture industries.

It is therefore recommended that SIDO supported small scale manufacturers should be encouraged to hire adequate number of employees with relevant skills in order to ensure proper workload and efficient use of working capacity in order to facilitate competitive performance. Further SIDO supported small scale furniture industry should strengthen sources of securing initial capital that is sufficient to capacitate firms and operate with full potential.

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