Influence of Successors' Entrepreneurial Competencies on Performance in Family-Owned Small and Medium Enterprises in Arusha City, Tanzania

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Abstract

This paper examines attributes of successors' entrepreneurial competencies such as risk-taking propensity, ability to exploit business opportunities, innovation and commitment in family businesses in Arusha City, Tanzania. A cross-sectional research design was employed using a quantitative survey approach, in which two hundred family business successors provided data for this paper. The data were analysed using the Hierarchical Regression Model to assess the influence of successors' entrepreneurial competencies on the performance of family-owned SMEs. The findings indicate that successors' risk-taking propensity and the ability to exploit business opportunities influence the performance of family-owned SMEs. The paper concludes that family-owned SMEs managed by successors who can take calculated risks and are also able to exploit business opportunities are in a good position to realize better performance in terms of net profit. It is recommended that family business founders should build their successors' entrepreneurial competencies.

Keywords: Entrepreneurial competencies, Family Business, Successors, Performance

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1.0 Introduction

The role played by family businesses in different economies is well recorded (Machek, 2016; Mullens, 2018; Kiwia et al., 2019). However, a high rate of business failure is cited as a major challenge to most family businesses (Zellweger et al., 2012). This challenge has attracted the attention of several scholars because family businesses have a great role to play in the national economies.

Literature acknowledges the role of successors in the performance of family businesses (Buang et al., 2013; Magasi et al., 2020). Successors of family-owned SMEs can contribute to the success or failure of the business. Therefore, this paper assesses the entrepreneurial competencies of successors of family-owned small and medium enterprises (SMEs) in Arusha City, Tanzania.

Aruni et al. (2014) and Forster et al. (2013) perceive entrepreneurial competencies as a set of characteristics involving knowledge, skills, capabilities and personal characteristics such as open-mindedness, empathy, willingness to work hard and planning, which help a person to accomplish superior performance and can be measured against activities and the tasks given. In this paper, entrepreneurial competencies are considered to be personal characteristics, knowledge and skills which enable family-owned SMEs' successors to produce outstanding performance in their daily business operations.

It is worth noting that entrepreneurial competencies have been studied by different scholars (Bendary & Minyawi, 2015; Volery et al., 2015; Abaho et al., 2016; Nasuredin et al., 2016; Yusuff et al., 2016; Gwadabe & Amirah, 2017; Hashim et al., 2018; Lubem & Richard, 2018), and have opined that entrepreneurial competencies give an individual the ability, knowledge and skills to manage the business. However, despite their relevance, the entrepreneurial competencies of successors of family-owned SMEs have not been intensively discussed (Letonja, 2016).

Entrepreneurial competencies have been categorized differently by different scholars. Nasuredin et al. (2016) identify six dimensions which are opportunity competence, relationship competence, organizing competence, strategic

competence, commitment competence and conceptual competence. Tehseen and Ramayah (2015) mention seven dimensions which are strategic competence, conceptual competence, opportunity competence, learning competence, personal competency, ethical competency and familism competency. Man et al. (2002) mention six groups of entrepreneurial competencies, namely opportunity competencies, organizing competencies, relationship competencies, strategic competencies, commitment competencies and conceptual competencies. However, the categorization of entrepreneurial competencies mainly depends on the purpose of the study. In this case, this paper is limited to opportunity exploitation ability, risk-taking propensity, innovation and commitment competencies because these dimensions have behavioural elements which are considered important for successors of family-owned SMEs. These dimensions build family businesses a competitive advantage and position the businesses into good performance in terms of profit (Kammerlander, 2015; Gomba & Kele, 2016; Wang & Wu, 2019).

Literature establishes that entrepreneurial competencies are associated with business performance (Volery et al., 2015). Entrepreneurial competencies are likely to help individuals to seek and grab different business opportunities whenever they emerge, come up with new products and services which suit the needs of the market and also give them the ability to strategically venture into new markets by setting different strategies and organizing resources while increasing the level of commitment to their businesses (Bengesi, 2013; Bengesi & Le Roux, 2014a).

For that case, this paper argues that successors of family-owned SMEs should possess entrepreneurial competencies such as risk-taking propensity, innovation, ability to exploit business opportunities and commitment which are crucial for successors to manage well and maximize the profit of their businesses. Thus, the relevance of entrepreneurial competencies to family business successors cannot be undermined. Hence, getting more understanding of the successors' entrepreneurial competencies for the performance in family-owned SMEs was compelling.

Moreover, literature acknowledges the fact that the family business research domain is in its infancy in developing countries, as opposed to developed countries (Basco, 2018). For example, 41.22 per cent of some family business studies for the period between 2000 and 2014 were from Europe, 30.73 per cent were from North America, 17.75 per cent from Asia, 4.78 per cent from Australia and New Zealand, 4.39 per cent from South America and 1.05 per cent were from Africa (Machek, 2016). Furthermore, Letonja (2016) acknowledged that the entrepreneurial competencies of successors of family-owned SMEs have not been intensively discussed. Therefore, this paper aimed at addressing the knowledge gap by informing family business founders and stakeholders on the influence of successors' entrepreneurial competencies on performance in family-owned SMEs in Tanzania, Arusha City in particular.

Apart from narrowing the literature gap, the findings also provide the basis for recommendations to family business founders and stakeholders on the role of entrepreneurial competencies on the performance of successors in family-owned SMEs. For that case, this paper is timely and significant because it ventures into a significant but under-researched domain of family-owned SMEs.

2.0 Literature Review

2.1 Theoretical framework

The Resource Based View (RBV) was used to explain successors' entrepreneurial competencies in family-owned SMEs. According to RBV, a business distinguishes itself from its competitors and builds a sustainable competitive advantage if it possesses valuable, inimitable and rare resources (Barney, 1991). In this paper, entrepreneurial competencies such as risk-taking propensity, innovation, opportunity exploitation and commitment are considered as valuable and rare resources that may account for a firm's competitive advantage. They are considered to be rare because not all successors of family-owned SMEs possess these attributes at any time in life, and they are valuable because when possessed by successors of family-owned SMEs they contribute to the firms' performance. The framework (RBV) was also considered appropriate in studying successors of family business entrepreneurial competencies because

successors of family-owned SMEs with the above-mentioned entrepreneurial competencies are expected to increase the performance of their business in terms of profit as suggested by the literature on business performance in terms of net profit (Aruni et al., 2014; Muthee and Ngugi, 2014; Tehseen and Ramayah, 2015). Controlled variables such as business location, business capital, business experience and the number of employees which in Figure 1 are indicated by a dotted line are likely to influence the performance of family-owned SMEs. Thus, the performance of family-owned SMEs in terms of net profit (dependent variable) is assumed to be influenced by entrepreneurial competencies (independent variables), while controlling the effect of extraneous variables (control variables).

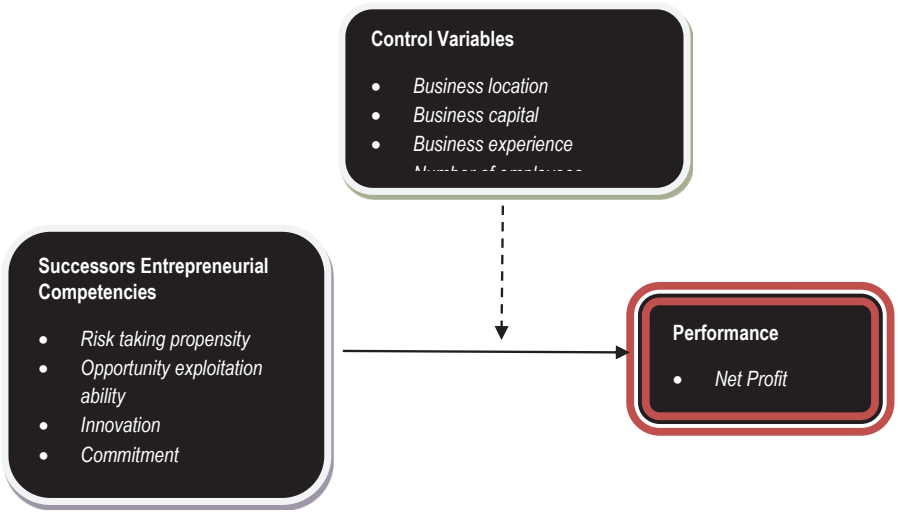

Figure 1. Conceptual framework

For ages, business capital and other physical assets have been considered important in predicting business performance in terms of profit. However, Rothaermel (2012) upholds that knowledge and skills (competence) are more important than physical assets which businesses have, and it is with these components that businesses can excel.

2.2 Overview of successors' entrepreneurial competencies

We (2017) defines competence as measurable or observable skills, knowledge, abilities or behaviour of an individual that would allow him or her to lead successfully different activities and act in a wide variety of situations. Similarly, Kaur and Bains (2013) define competence as acquired knowledge, skills, experience and attitude which are essential for effective performance of a task or job.

Man (2002) grouped entrepreneurial competencies into six groups, namely opportunity competencies, organizing competencies, relationship competencies, strategic competencies, commitment competencies and conceptual competencies. This categorization has widely been adapted and supported in other entrepreneurial competencies studies such as Rahman et al. (2015), Bendary and Minyawi (2015), Nasuredin et al. (2016) and Stephen et al. (2017). This paper followed the same path and adapted some entrepreneurial competencies dimensions developed by Man et al. (2002). In assessing family-owned SMEs successors' entrepreneurial competencies, this paper employed risk-taking propensity, innovation, opportunity exploitation ability and commitment competencies.

Risk-taking propensity is about an entrepreneur's ability to calculate risk and commit resources in a business where the cost of failure is high but the return is also high if the business succeeds. Risk-taking propensity is considered to be more of entrepreneurial behaviour (Sanchez, 2013) and can be categorized into three dimensions: willingness to take a risk, ability to take a risk and the need to take a risk. It is expected that when entrepreneurs think of doing any business, they should study the market and carefully calculate the risks associated with that business. Literature highlights risk-taking propensity competence as an important attribute in business management and performance (Nader et al., 2013; Karabulut, 2016; Zahra, 2018). What seems to be missing in the literature is a scholarly discussion on risk-taking propensity focusing on successors of family-owned SMEs. This paper argues that successors of family-owned SMEs should possess risk-taking competence as it is an important attribute for performance in family-owned SMEs. Thus, it was hypothesized that:

1. Risk-taking propensity competence has an influence on the performance of family-owned SMEs.

This paper also assessed successors of family-owned SMEs' ability to exploit business opportunities. This is the entrepreneurs' ability to find different business opportunities existing in society and utilize them for the performance of their businesses. Entrepreneurs with this competence can turn different challenges facing societies into business opportunities. In entrepreneurship, opportunity exploitation ability is a key aspect (Lopa & Bose, 2014), and in most cases, an entrepreneur's level of opportunity exploitation is backed up with business knowledge and experience. Opportunity exploitation competence has been discussed in other areas such as manufacturing SMEs (Lopa & Bose, 2014), women-led family businesses (Kickul et al., 2010) and family businesses in general (Mustikarini, 2017). Based on its acknowledged importance, it was of interest to get more insight into this competence in the context of successors of family-owned SMEs in Arusha City, Tanzania. Thus, it was hypothesized that,

2. Opportunity exploitation competence has an influence on the performance in family-owned SMEs.

Moreover, successors' innovation competence was assessed. Innovation can be explained as knowledge and skills which enable entrepreneurs to do things in new ways, by improving the existing products and producing new goods and services (Rivera, 2017; Bengesi and Le Roux, 2014; Bengesi, 2013). It is also linked to the ability to generate profitable ideas for the well-being of the business. Hilman and Kaliappen (2015), in their study on innovation strategies and performance, confirm the importance of innovation on business performance. Further, Kammerlander et al. (2015) maintain that innovation is vital to the success of a family business. Similarly, Erdogan et al. (2020) argue that the continuity of family businesses in most cases depends on how they implement innovation. Furthermore, Anderson et al. (2014) and Duh (2015) emphasize successors' innovation for the survival and progress of family businesses. In general, innovation has gained scholarly attention, especially in management and entrepreneurship studies. On the other hand, as observed by Wang and Wu (2019), there are limited studies which have discussed the case of innovation competence of successors of family-owned SMEs. In

addition, scholars (Alberti & Pizzurno, 2013; Melendez, 2015; Duran et al., 2016) assert that even those limited studies were done in developed countries. Thus, there is a need to get more insight into innovation competence of successors of family-owned SMEs of Tanzania, Arusha City in particular. Therefore, it was hypothesized that,:

Innovation competence has an influence on the performance in family-owned SMEs.

This paper also considers and assessed successors' commitment which is one of the important attributes in the management of a family business (Stephen et al., 2017). Commitment is about successors' initiatives, desires and a sense of obligation to the performance of the family business (Sharma and Irving, 2005). Family business successors are expected to have a strong sense of commitment in the daily business operations and ensure family businesses performs well in the market so that the business can continue to survive. In family business succession planning, it is asserted that business founders prefer most successors who are committed to the survival and continuity of the business (Ghee et al., 2015). On the other hand, the literature reveals that successors of family businesses are not committed (McMullen & Warnick, 2015). This might be a contributing factor to the recorded high failure rate in family businesses. This paper postulates that, unless there are measures to motivate successors' commitment to family business operations, family businesses will continue to face the challenge of a high failure rate. Therefore, to get empirical evidence on the influence of successors' commitment on performance in family-owned SMEs, it was hypothesized that,Commitment has an influence on the performance of the family–owned SMEs.

3.0 Methodology

This study was conducted in Arusha City. The study area was selected because Arusha City has limited studies on family-owned SMEs compared to other regions in Tanzania (Magasi et al., 2020; Ngaga & Jeckoniah, 2019; Mori & Charles, 2018).

The study employed a quantitative research approach and adopted a cross-sectional research design. The sampling frame included 485 family-owned SMEs successors whereby Ward Executive Officers, Trade Officers and business persons in the study area assisted in identifying family-owned SMEs successors. The formula for calculating sample size proposed by Yamane (1973) was used to determine the sample size. A sample size of 219 respondents was obtained.

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

Where n = Sample size

N = Population (successors)

e = error term (5%)

Thus,

$$n = \frac{485}{1 + 485(0.05)^2} = 219$$

$$n = 219$$

A sample size of 219 respondents was randomly drawn from the sampling frame using a simple random sampling technique (lottery). The technique allows the use of inferential statistics in data analysis and is a bias-free technique which gives equal chances for every individual in a sampling frame to be included in a sample (Bernard, 2013). Every successor in the sampling frame was assigned a number, then numbers were selected at random.

In the data collection process, a structured questionnaire was used to collect data on successors' entrepreneurial competencies and family-owned SMEs' performance in terms of net profit. The questionnaire was distributed to two hundred nineteen randomly selected successors drawn from the sampling frame of successors identified from all wards of Arusha City.

In this paper, the variables measured include successors' entrepreneurial competencies and performance (net profit).Entrepreneurial competencies are considered as knowledge, skills, capabilities and personal characteristics

which help a person to accomplish superior performance (Aruni et al., 2014). Entrepreneurial competencies which in this paper were treated as independent variables were measured by four constructs: Risk-taking propensity, innovation, opportunity exploitation and commitment. For each construct, there were five statements developed from a behavioural focus and elements associated with each type of competence. Therefore, an index summated scale which comprised twenty statements was used to measure entrepreneurial competencies Tabachnick and Fidell (2007). The respondents were asked to indicate whether they strongly agree (5 points), agree (4 points), neutral (3 points), disagree (2 points) and strongly disagree (1 point) with each of the statements.

SMEs' performance is considered as an achievement in running a business (Hasan &Almubarak, 2016). In SMEs, performance can be measured using financial or non-financial measures depending on the purpose of the study. Non-financial measures include but are not limited to family reputation, customer satisfaction and employee's satisfaction. Financial measures are such as assets turnover, profit and sales (Bengesi, 2013; Le Roux & Bengesi, 2014; Bengesi & Le Roux, 2014b; Maziku et al., 2014). Williams (2018) subscribes that the majority of the studies on SMEs' performance use financial measures. The use of one financial measure in this paper (net profit) was largely motivated by literature. For example, according to Xheneti and Bartlett (2012), the objective of most of firms is to maximize profit, thus, the performance of the firm should be measured based on profit. In this paper, performance was treated as the dependent variable, whereby net profit which is one of the financial measures was used as a measure of family-owned SMEs' performance and was measured at the ratio level. The net profit was determined by the following formula:

Total sales - total costs = Net profit

However, business location, business capital, the number of employees and business experience were treated as control variables. Business location was measured at the nominal level, business capital was measured at the ratio level, the number of employees and business experience were measured at the ratio level.

SPSS (Version 21) was used in the analysis of data obtained from the questionnaire. Guided by the study's objectives and hypotheses, a hierarchical regression model was used to assess the influence of successors' entrepreneurial competencies (risk-taking propensity, opportunity exploitation ability, innovation and commitment) on the performance of family-owned SMEs. This model was employed because of its ability to show the effects of controlled variables in the model (Pallant, 2007; Field, 2009). In a hierarchical regression model, variables are entered in blocks; each independent variable is assessed in terms of what it adds to the prediction of the dependent variable after the previous variables have been controlled. To ensure the reliability of the results, data were examined for conformity of regression model assumptions. The assumptions examined were sample, sample size, outliers, linearity, homoscedasticity, multicollinearity and normality. In assessing the influence of successors' entrepreneurial competencies on performance of family-owned SMEs, the actual sample size of 200 respondents was used (only successors who had been heading the family-owned SMEs for three years or longer. The respondents (successors of family-owned SMEs) who had not headed businesses for the duration of three years and above (19 respondents) were excluded from the analysis of family-owned SMEs' performance. The decision of using the respondents with three years and above of business experience in measuring the performance in terms of the net profit was drawn from previous studies which measured SMEs' performance (Maalu et al., 2013; Bengesi & Le Roux, 2014a; Bengesi & Le Roux, 2014b). Thus, to respond to the formulated hypotheses one up to four, a hierarchical regression model was used with an actual sample size of 200 respondents.

4.0 Results and Discussion

4.1 Results for multiple regression assumptions tests

Results on data conformity to the examined assumptions (sample and sample size, outliers, linearity, homoscedasticity, multicollinearity and normality) in the application of the regression model were as follows: the paper had a sample size of 200 respondents who were randomly selected from a sampling frame. This sample size is considered adequate for the application of the regression model because of Tabachnick and Fidell (2007) argument that in using the

regression model a sample size greater than or equal to 200 is considered sufficient. Scores of outliers check revealed an even slope, and there were no data points placed separately far away on their own. The dependent variable, when checked in a scatter plot, showed no values with standardized residual values higher than 3.3 or less than -3.3, which means that there were no outlier values**.** A test for linearity assumption was carried out using P-P plots. The results showed that data points were close and reasonably straight to the diagonal line. These results suggest that data achieved the linearity assumption, and there was no major deviation from normality. A colinearity test was conducted, and the results are presented in Table 1. A tolerance of less than 0.1 indicates multicollinearity (Pallant, 2007).

The results in Table 1 demonstrate that there was no multicollinearity among the independent variables. VIF values above 10 suggest a possibility of multicollinearity (Pallant, 2007). The recorded VIF values are below 10, and the tolerance values are greater than 0.1; which means that the model satisfied the multicollinearity assumption. These results confirm that the data met the requirements for this assumption.

Table 4: Entrepreneurial competencies variables: Multicollinearity results

Model	Tolerance	VIF
(Constant)		
Risk taking propensity	0.750	1.334
Innovation	0.527	1.899
Opportunity exploitation	0.769	1.301
Commitment	0.602	1.661
Business location	0.945	1.058
Business Experience	0.657	1.523
Number of employees	0.917	1.090
Business capital	0.987	1.013

a. Dependent Variable: Profit

Furthermore, a scatter plot was used to check data homogeneity of variance. When residuals show a clear pattern, they suggest homoscedasticity. The results showed no clear pattern of the residuals. The residuals are roughly rectangularly distributed. This result suggests that the model satisfied the homoscedasticity assumption. The data were also tested for normality assumption by using Q-Q plots. The data points were reasonably close to the diagonal line. These results imply that the model satisfied the normality test. The results from all the tested regression assumptions demonstrate that the data met all the requirements. The data were analysed using a hierarchical regression model.

4.2 Influence of successors' entrepreneurial competencies on the performance in family-owned SMEs

The hierarchical regression results in Table 2, show that the R^2 value was 0.097. This means that the control variables (business location, business capital, number of employees and business experience) explained 9.7 per cent of the variance in business profit. In model 2, the R^2 value was 0.167, which means the total variance explained by the model as a whole was 16.7 per cent . Entrepreneurial competencies explained an additional 7 per cent of the variance in the business profit after controlling for business location, business capital, the number of employees and business experience.

Risk-taking propensity recorded a beta value of $\boldsymbol{\beta} = 0.164$ ($p = 0.032$; $p < 0.05$). Thus, hypothesis one failed to be rejected. These results show that risk-taking propensity is statistically significant in predicting performance in terms of profit in family-owned SMEs. Further, this implies that a one unit increase in the successors' risk-taking propensity, will increase profit by 0.164 units.

Table 5: Influence of successors' entrepreneurial competencies on performance in family-owned SMEs

Models	Model 1	Model 2	Sig. Model 1	Sig. Model 2
	Parameter estimates (β)			
Controlled Variables				
Business location	-0.072	-0.104	0.295	0.126
Business capital	0.145	0.137	0.035	0.041
Number of employees	0.260	0.265	0.000	0.000
Business Experience	-0.174	-0.079	0.016	0.335
Successors Entrepreneurial competencies				
Risk taking propensity		0.164		0.032
Innovation		-0.060		0.513
Opportunity exploitation ability		0.156		0.040
Commitment		0.123		0.148
Model parameters				
R2	0.097	0.167		
F-ratio	4.928	5.131		
Adjusted R^2	0.079	0.132		
R^2 Change	0.097	0.070		
F -Change	5.259	4.012		
Sig. F- change	0.000	0.004		

Mode 1: Predictors: Business location, Business capital, Number of employees, Business experience

Model 2: Predictors: Business location, Business capital, Number of employees, Business experience, Risk taking propensity, Innovation, Opportunity exploitation ability and Commitment

Dependent variable: Performance (Net Profit)

Significance Level: 0.05

These results suggest that family-owned SMEs managed by successors who are risk takers are more likely to have good performance in terms of profit. Successors will not be afraid of investing in new markets, and also introduce new products in the market to increase the profit of their business. These findings corroborate with the findings in a study by Zahra's (2018) and a study by Karabulut's (2016) indicating the importance of risk-taking propensity for business performance. It

is evident that, risk-taking propensity competence is inevitable for family-owned SMEs to continue to survive and make a profit in the market.

The opportunity exploitation ability recorded a beta value of $\boldsymbol{\beta}$= 0.156 (p = 0.04; p < 0.05). Thus, hypothesis two failed to be rejected as well. These results illustrate that the opportunity exploitation ability is statistically significant in predicting performance in terms of profit in family-owned SMEs. These results suggest that when successors exploit different business opportunities in the market, there is a possibility of increasing the profit of the family business. Moreover, this implies that one unit increase in the successors opportunity exploitation ability, will increase the profit by 0.156 units. Similar findings were reported by Lopa and Bose (2014) on the importance of opportunity exploitation for business performance.

Innovation was also statistically not significant in predicting the performance of family-owned SMEs, recording a beta value of $\boldsymbol{\beta = -0.060}$ (p = 0.513; p > 0.05). Thus, hypothesis three was rejected. Again, these results differ from what was expected. Innovation was expected to influence performance in family-owned SMEs. In the contrary, the results showed that the more the successors were innovative, the more the profit decreased. Erdogan et al. (2020) observe that the way innovation is implemented is likely to contribute to the performance of the business. These results, in a way, reflect what is practically happening in the field. Experience shows that, most family business successors normally continue to do businesses which had been done by their founders. Moreover, most of them seem not to take the initiatives of doing anything different from what they have inherited or some of them do innovations without proper information about the business and the market. This might be a result of the challenge which faces most family-owned SMEs whereby business founders do not relinquish full power to their successors. In one way or another, they keep on engaging themselves in business operations (Kiwia et al., 2019). This might limit the successors' innovation because they are not in full control of the business, and contribute to the failure of most family businesses in the early years after the departure of the founders. It is assumed that the successors' innovativeness is also affected by factors such as inadequate preparation to take the lead in the business, low level of commitment and fear of failing when expanding the business.

As illustrated in Table 2, commitment competence was not statistically significant in predicting performance in family-owned SMEs, although it recorded a positive beta value of $\boldsymbol{\beta}$= 0.123 (p =0.148; p > 0.05). Thus, hypothesis four was rejected. However, by showing that commitment was not statistically significant in predicting performance in family-owned SMEs, these results differ from what was expected that commitment influences performance in family-owned SMEs. This might be a result of how family business successors were obtained and oriented in ownership and management of the family business. In their study on succession dilemma, McMullen and Warnicks (2015) observed that family business successors' commitment is important but unfortunately most of these successors are not committed. This increases the chances of affecting the performance of family businesses, and contributes to increasing their failure rate. Moreover, Saan et al. (2018) opined that most family business founders are not willing to relinquish full power to their successors. This, in a way, might contribute to lowering their commitment level to business operations. This was also observed by Kiwia et al. (2019) in their study on succession planning in family-owned SMEs.

These findings reflect what other scholars have reported. For example, Barazandeh et al. (2015) found a positive relationship between entrepreneurial competencies and business performance. Also, studies (i.e., Sarwoko et al., 2013; Lopa & Bose, 2014; Tehseen & Ramayah, 2015; Volery et al., 2015; Yusuff et al., 2016) observe that entrepreneurs' entrepreneurial competencies are important for performance in business. Thus, it is observed that entrepreneurial competencies not only have a relationship with business performance but are also an essential aspects in business performance. The results align well when linking them with the Resource Based View (RBV), which was used to frame this paper. Successors of family-owned SMEs who differentiate themselves from other entrepreneurs by possessing competencies such as risk-taking propensity and opportunity exploitation ability seem to influence family-owned SMEs performance in terms of business net profit in the study area. These results provide empirical evidence of the influence of successors' risk-taking propensity and the opportunity exploitation ability on the performance of family-owned SMEs.

5.0 Conclusions and Recommendations

This paper examined the influence of successors' entrepreneurial competencies on the performance of family-owned SMEs in Arusha City, Tanzania. The paper found that, entrepreneurial competencies (risk-taking propensity and opportunity exploitation ability) had influence on the performance of family-owned SMEs. Also, the paper found that the successors' innovation and commitment competencies did not influence performance in family-owned SMEs. The paper confirmed the Resource-Based View whose main argument is that a business distinguishes itself from its competitors and builds a sustainable competitive advantage if it possesses valuable, inimitable and rare resources. Successors of family-owned SMEs possessing risk-taking propensity competence, and the ability to exploit business opportunities competence position their family businesses with more chances of increasing their performance in terms of profit.

From the findings, it is concluded that family-owned SMEs managed by successors who are able to take calculated risks and exploit business opportunities are in a good position to realize better performance in terms of net profit. Moreover, it is concluded that, high business capital and a controlled number of employees which positively contribute to the performance of family business, position family-owned SMEs in a good position to realize more profit.

Based on the conclusions, this paper offers the following recommendations: since successors' risk-taking propensity and ability to exploit business opportunities are associated with family-owned SMEs' performance in terms of profit, business founders should engage their successors in their business activities to build their competencies in risk-taking and exploitation of business opportunities.

Additionally, training institutions should ensure that they have programmes which can be in the form of tailor-made short courses for successors of family-owned SMEs. The major focus should be on enhancing family business successors' competencies in risk-taking and exploitation of business opportunities. Also, business founders and their successors are urged to ensure that they increase their business capital. Finally, employment in family-owned SMEs should focus on only persons who can improve the performance of the business, and not just because of being members of the family.

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