

# Managerial competence and production capability as drivers of SME performance in resource-constrained environments: does government support matter?

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## Abstract

Small and medium enterprises (SMEs) in developing countries are often resource-constrained, making the identification and effective utilization of critical internal resources essential for their survival and growth. Tanzania's leather sector illustrates this paradox, whereby despite abundant livestock resources and government-led initiatives, SMEs struggle to achieve sustainable market performance. Grounded in the Resource-Based View (RBV) and informed by Penrosean and Institutional perspectives, this study examines the effects of managerial competence and production capability on market performance and the moderating role of government support. Survey data from 145 leather manufacturing SMEs were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that both managerial competence and production capability significantly enhance market performance, with production capability exerting a stronger effect. Government support strengthens the relationship between managerial competence and firm performance, but does not significantly moderate the link between production capability and firm performance, suggesting a misalignment between public support mechanisms and firms' operational realities. The study advances RBV and Penrosean perspectives by demonstrating how internal capabilities interact differently with external institutional support in shaping SME performance within an under-researched African manufacturing context. Practically, the findings emphasize the need for managerial competence and production-focused capability development and more targeted policy interventions aligned with sector-specific operational needs.

## Keywords:

Managerial competence, Production capability, Market performance, Government support, small and medium enterprises.