

An Integrated Approach to Evaluating Performance Measurement Systems in Tanzanian SMEs: A Mixed-Method Study in The Tourism Sector

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ABSTRACT

This research examines how small and medium enterprises (SMEs) in Tanzania's tourism sector, particularly in accommodation, use performance measurement systems. The study aimed to: 1) analyze the influence of factors like environmental uncertainty, ethnic ownership, business size, and strategic orientation on the adoption of these systems; 2) investigate the methods SMEs employ for implementation; and 3) explore the impact of these systems on organizational capabilities namely resource teaming, routine establishment, entrepreneurial spirit, and innovativeness and overall performance. A mixed-methods approach was adopted, employing semi-structured interviews and surveys, with data analysed using NVivo and Structural Equation Modelling. Findings indicate that the contextual factors significantly affect the use of performance measurement systems and, indirectly, organisational performance through enhanced capabilities. This research adds valuable insights to management accounting literature and offers practical guidance for SMEs and policymakers to foster effective business management in the tourism industry.

Keywords: Performance measurement systems; SMEs; Business management

1. INTRODUCTION

Developing nations are increasingly recognising small and medium enterprises (SMEs) as essential drivers of social and economic advancement (Arinaitwe, 2006). The SME sector is vital for economic growth, job creation, and poverty alleviation (Katalla & Masele, 2024; Israel & Mwenda, 2024; Israel, 2025). In Tanzania, SMEs significantly contribute to the economy, providing approximately 35% of the Gross Domestic Product (GDP) and employing over 20% of the workforce. They play a crucial role in sectors such as agriculture, manufacturing, trade, and services, enhancing economic development and alleviating poverty through initiatives that promote self-employment and microfinancing.

However, Tanzanian SMEs face challenges, including limited access to finance, insufficient technical skills, and restricted market opportunities, which hinder their growth potential (Lambin & Nyssölä, 2024). Comprising over 3 million enterprises, SMEs are essential, with around 90% of businesses in Tanzania classified as SMEs, employing over 5 million people. The agricultural sector is a significant area for SMEs, especially with female entrepreneurs leading over half of these businesses. Yet, 66% of micro and small enterprises earn annual revenues under USD 2,000, illustrating their struggle to scale. Challenges include high interest rates,

insufficient collateral, short repayment terms, and a lack of transparent loan information, all of which complicate access to necessary funding.

The Tanzanian government recognises the vital role SMEs play in economic development and has implemented various policies to support this sector. The SME Development Policy, part of Tanzania's Development Vision 2025, prioritises SME growth as a strategy for economic advancement and poverty alleviation. The establishment of the Small Industries Development Organisation (SIDO) in 1973 has been crucial for providing services like training and hire purchase programs. The government has also collaborated with commercial banks to offer loans to Micro, Small, and Medium Entrepreneurs, addressing funding gaps. International partnerships are key, with the European Union providing grants and the European Investment Bank extending loans to Tanzanian banks for SME support. Special focus is placed on startups and businesses led by youth and women, while new regulations by the Capital Markets and Securities Authority aim to improve access to venture capital.

Additionally, the government is targeting sectors like the blue economy in Zanzibar. Recent data shows a significant increase in tourism, with 409,082 visitors in the first quarter of 2023, surpassing previous records and indicating a recovery from the COVID-19 pandemic. According to recent data on international visitors to Tanzania, Kenya led the way with 44,588 arrivals, followed by France (31,636), Italy (25,145), and Burundi (23,829). The USA brought in 23,274 tourists, while Germany, Poland, and the UK contributed 21,755, 15,203, and 14,652 visitors, respectively. Rwanda had 11,870 arrivals (Suleiman, 2023; Buzohera, 2025). A press release from the National Bureau of Statistics (NBS) for January to February 2023 noted that this surge in visitors was due to eased lockdown measures and Tanzania's effective promotion of its tourism attractions. Most travellers visited for leisure, highlighting the country's appeal as a vacation destination (<https://www.tanzaniainvest.com/smes>)

1.1 Research Objective

This study aims to fill gaps in the literature on tourism SMEs in Tanzania, a country with notable growth potential in the sector. It builds on contingency theory by examining the effect of four variables: environmental uncertainty, ownership by ethnicity, size, and strategy, on the use of performance management systems. The research improves understanding of management accounting practices by exploring how SMEs in Tanzania's accommodation sector utilise these systems to enhance operations. Furthermore, it assesses how these systems influence four key organisational capabilities: resource teaming, organisational routines, entrepreneurship, and innovativeness, along with overall performance. The main objectives of this study are to evaluate the influence of these four factors on the utilisation of performance measurement systems by tourism SMEs in Tanzania. Additionally, it seeks to investigate how these firms implement such systems. Finally, it aims to analyse the impact of these systems on the firms' organisational capabilities and overall performance.

2.0 Literature Review

The literature on management control and performance management systems highlights their vital role in promoting effective organisational governance. Research shows that these systems are crucial tools that enable companies not only to set but also to successfully achieve and monitor their strategic goals, especially in dynamic environments (e.g., Simons, 2000).

Franco-Santos et al. (2007) and Spanò & Zagaria (2022) articulate the fundamental purposes of performance management systems, which can be detailed as follows:

1. **Measuring Business Performance:** This involves the rigorous process of tracking and evaluating progress towards performance targets, ensuring that organisational goals are effectively met.

2. **Strategic Management Integration:** These systems are essential in embedding strategic management philosophies within an organisation, supporting the development, formulation, and implementation of strategies while ensuring that daily operations are aligned with broader objectives.

3. **Communication Facilitation:** Performance management systems enhance both internal and external communication, promoting constructive interactions within the organisation and with external stakeholders, while also allowing benchmarking against various performance criteria.

4. **Behavioural Influence:** They significantly impact employee behaviour by defining and managing reward and compensation structures, thereby motivating individuals to align their performance with the organisation's expectations.

5. **Learning and Continuous Improvement:** These systems nurture a culture of learning and persistent enhancement through systematic feedback processes that are designed to refine and elevate future performance outcomes.

Purbey et al. (2007) highlight that performance management systems are indispensable organisational processes that aid in assessing progress toward objectives, identifying both strengths and weaknesses, and facilitating ongoing improvements in performance. They enable managers to strategically balance critical factors such as growth, control, and performance (Simons, 2000). As a result, scholars across diverse fields, including accounting, business strategy, and operations management, have conducted extensive studies on these systems (Spanò & Zagaria, 2022).

Neely et al. (2005) delineate the distinctions between performance measures, performance measurement, and performance management systems: a performance measure quantifies the efficiency and effectiveness of an action, performance measurement is the process of quantifying these attributes, and a performance management system encompasses the metrics employed in this evaluation. This study aims to explore how these systems support management in the essential areas of planning, control, and decision-making, particularly within the services industry in Tanzania, with a specific emphasis on small and medium-sized enterprises (SMEs) in the tourism sector.

2.1 Use of performance management systems in SMEs

Despite the importance of SMEs, their management control structures and performance management systems remain poorly understood. Most research has focused on manufacturing, with few studies addressing service-oriented SMEs (Watts et al, 2009). While performance management systems can aid managerial growth in SMEs (Garengo et al., 2005), there is a noted underutilization and lack of investigation into the reasons for this (Garengo & Bititci, 2007). Formal management controls are crucial for small firms, as their survival often relies on effective performance management (Davila & Oyon, 2009). Current research indicates a combination of formal and informal control systems, utilising both non-financial and financial measures, although typically at suboptimal levels (Sousa et al., 2006).

In a study of French family-owned SMEs, Oriot et al. (2010) highlighted the use of strategic scorecards, while Sousa et al. (2006) reported a gap between recognising the importance of performance management systems and their implementation in English SMEs. Similarly, Indian SMEs recognised the need for effective systems but struggled to operationalise them. The lack of empirical research on performance management evolution in SMEs and larger companies exacerbates this underuse (Varma, 2023).

The literature indicates a disparity in the use of performance management systems between developing and developed countries (Georgise et al., 2013). Challenges for developing nations include limited research, lack of expertise, cultural differences, and inadequate tech infrastructure. Georgise et al. (2013) emphasise the scarcity of studies in contexts like Africa, echoed by research from Malaysia (Amir, 2011) and Indian SMEs (Sharma & Bhagwat, 2007). Notably, no studies on performance management systems in tourism exist for developing countries like Tanzania.

Adapting frameworks from developed nations is challenging due to difficulties in selecting relevant key performance indicators that align with the unique cultural contexts of developing countries (Georgise et al., 2013). While research on performance management in diverse settings is increasing (Nepoti et al., 2024), inadequate IT infrastructure complicates data collection and analysis (Andersen et al., 2006). This study aims to bridge the gap between theory and practice in performance management systems for tourism SMEs in developing countries.

2.2 Use of performance management systems in Tourism SMEs

As hospitality and tourism industries grow in importance within the global economy, there is a rising demand for thorough research in these fields. Fierce global competition has prompted organisations to refine their services to meet the needs of sophisticated travellers. Consequently, monitoring and enhancing service quality and operational efficiency have become essential (Altin, 2018). While performance management systems in tourism, especially in large hotels, have been studied, there is a notable lack of research focusing on small and medium-sized enterprises (SMEs), particularly in developing countries. Most studies are concentrated in developed regions, such as the U.S. and Europe, indicating a significant research gap.

Research on performance management in tourism SMEs shows valuable insights. For example, a study by Bergin-Seers and Jagos (2007) on successful small motels in Australia revealed a balanced approach using both financial and non-financial indicators. They found that few critical measures guided management activities and that owner-managers actively monitored their businesses to address challenges early. Moreover, effective practices were often developed through a combination of experiential learning and formal training (Varma, 2023).

2.3 Tourism Industry and Environmental Uncertainty

Environmental uncertainty has a significant impact on the performance of service-oriented firms, particularly in the hotel sector (Suleiman, 2023). Factors such as competition, governmental regulations, political and economic stability, global economic fluctuations, and natural disasters contribute to this uncertainty, impacting the tourism industry notably (Oreja-Rodríguez & Yanes-Estévez, 2007). The hotel sector faces intense competition, making effective decision-making based on reliable performance data essential (Suleiman, 2023; Buzohera, 2025). This study examines environmental uncertainties affecting tourism SMEs in Tanzania, focusing on competition, customer demands, political stability, economic conditions, government regulations, tourism policies, global trends, and natural disasters. Addressing these factors can help SMEs navigate their complex operating environment and improve performance.

Ownership type influences how Owner-Managers implement performance management systems, particularly in family-owned versus non-family firms. Many SMEs in the tourism sector, including those in Glasgow and rural Finland, are family-owned, often relying on informal and social controls (Reijonen & Komppula, 2007). However, the impact of ethnicity on ownership has been less explored, especially in Tanzania's multicultural society (Liu et al., 2019). Management styles may also be shaped by cultural backgrounds, with culture defined as the shared values and beliefs of a group (Hofstede, 2001). Key cultural dimensions relevant to management include power distance, individualism–collectivism, masculinity–femininity, and uncertainty avoidance.

In a multicultural context like Tanzania, where distinct cultures such as Bantu, Nilotic, and Swahili exist, ethnicity becomes a crucial factor in cross-cultural accounting research. Previous studies, like Tsui (2001) and Etemadi et al. (2009), highlight the influence of societal culture on management accounting systems. Tsui found that Chinese managers, representing a high-collectivist background, respond differently to budget participation than their Western counterparts, indicating that management accounting theories based on Western economies may not apply universally. Such cultural characteristics may similarly affect the use of performance management systems and management styles among Tanzania's ethnic groups.

Previous studies have explored the connection between culture and management control systems, particularly focusing on national culture's influence on control systems design across different countries (Tsui, 2001). Some research has examined the impact of organisational culture on management control and performance systems. For instance, Chow et al. (1999) found differences in information-sharing behaviours between Chinese and Australian manufacturing firms, reflecting their distinct cultural traits. In the context of SMEs, the ethnicity of owner-managers appears to affect their management styles and system usage. However, research on the impact of owner-manager ethnicity on management control systems in SMEs is scarce, as highlighted by Hosen et al. (2011). This study aims to fill that gap.

Critiques have emerged regarding the application of national culture within multicultural societies, arguing for a deeper exploration of cultural differences at the organisational and within-national levels. Silva et al. (2024) emphasise the need to consider multiculturalism in international accounting research, particularly in relation to International Financial Reporting Standards (IFRSs). Research shows that ethnic and organisational cultures significantly influence how accountants interpret uncertainty in IFRSs (Liu et al., 2019; Tarmo & Issa, 2022; Ismail, 2024).

In Tanzania, the distinct Bantu, Makonde, Nilotic, and Swahili cultures provide a framework for examining how ethnic ownership influences the use of performance management systems among tourism SMEs. This study aims to investigate the role of "ownership by ethnicity" as a critical factor influencing the usage of performance management systems in Tanzania's tourism industry.

2.4 The Theories

2.4.1 Contingency theory

The contingency theory of management accounting posits that there is no one-size-fits-all approach to management control systems; the choice of control techniques depends on the specific circumstances of an organisation (Otley, 1999). It highlights how accounting systems should be tailored to certain defined conditions, indicating that effective designs are context-dependent (Otley, 1980). Various key contextual variables have been studied, including external environments, technology, organisational structure, size, strategy, and national culture (Chenhall, 2003; Krishnan et al., 2022).

Research generally supports a correlation between these variables and management control systems (Chenhall, 2003). Chenhall and Chapman (2006) emphasise that seeking a good fit is a dynamic process. This study aims to add to the contingency literature by exploring how contextual variables relate to the use of performance management systems in SMEs within the Tanzanian tourism sector.

2.4.2 The levers of control Framework

Simons (1995) identifies four types of management control systems: belief systems, boundary systems, diagnostic control systems, and interactive control systems. Belief systems convey core values and guide employee behaviour, while boundary systems define acceptable behaviours and limit waste through explicit rules (Simons, 1995). Diagnostic control systems focus on achieving goals by monitoring outcomes and correcting deviations using financial metrics. They motivate managers to meet targets, although they may constrain behaviour. Effective design of these systems requires an understanding of key performance variables (Simons, 1995).

Interactive control systems engage managers in subordinates' decision-making and foster innovation by balancing creative efforts with predictable outcomes (Barros & Ferreira, 2022). Key characteristics include a focus on important agendas, regular management engagement, face-to-face discussions, and facilitating debates around plans (Speklé, 2001; Martyn et al., 2016). Though time-consuming and costly, interactive systems help share information and reduce knowledge gaps (Curtis et al., 2017; Baird et al., 2019).

2.4.3 Resource-based Theory

Resource-based theory suggests that a firm's sustained competitive advantage arises from its valuable, rare, inimitable, and non-substitutable resources (Barney, 1991; Barney et al., 2001). These resources include all assets, capabilities, and knowledge essential for developing effective strategies (Barney, 1991). Henri (2006a) states that competitiveness stems from distinctive resources and capabilities, with some theorists arguing that a unique resource bundle underpins sustained competitive advantage (Duarte Alonso et al., 2025).

Grant (1991) differentiates between resource inputs into production (e.g., equipment, skills) and capabilities, which are the capacity to utilise these resources effectively. While resources contribute to capabilities, it is the capabilities, such as innovation and entrepreneurship, that drive competitive advantage (Duarte Alonso et al., 2025). Henri (2006a) examined how performance management systems impact these capabilities in large Canadian manufacturing firms.

This study focuses on two capabilities from Henri's research: innovativeness and entrepreneurship, particularly relevant to the Tanzanian SME tourism sector. Due to the narrow customer base of SME tourism firms, capabilities such as market orientation and organisational learning are less applicable, as they are often limited by the owner-manager's decision-making role (Dewangan et al., 2024). In contrast, innovativeness and entrepreneurship are crucial for achieving a competitive advantage.

Additionally, the study introduces two more capabilities: resource teaming and organisational routines. The Owner-Manager's ability to mobilise and manage resources through established processes is vital for business performance. Each of the four capabilities will be explored in detail, with justifications for their relevance in this research context.

2.3 Research Question, Objectives and Hypotheses

Listed below are the research questions and research objectives juxtaposed against the hypotheses.

Research Question	How do Tanzanian SMEs in the tourism industry use performance measurement systems?
Research Objectives	Research Hypothesis

1. To determine the factors that influence the use of performance measurement systems by Tanzanian tourism SME firms.	<p>Hypothesis 1a: Tanzanian tourism SME firms with high environmental uncertainty use performance measurement systems interactively.</p> <p>Hypothesis 1b: Tanzanian tourism SME firms with low environmental uncertainty use performance measurement systems diagnostically.</p>
2. To examine how Tanzanian tourism SME firms use performance measurement systems.	<p>Hypothesis 2a: Indigenous-owned tourism SME firms use performance measurement systems diagnostically rather than interactively.</p> <p>Hypothesis 2b: Indo-Tanzanian-owned and European-owned tourism SME firms use performance measurement systems interactively rather than diagnostically.</p> <p>Hypothesis 3a: Small Tanzanian tourism SME firms use performance measurement systems interactively to a greater extent than diagnostically.</p> <p>Hypothesis 3b: Medium-sized Tanzanian tourism SME firms use performance measurement systems diagnostically to a greater extent than interactively.</p> <p>Hypothesis 4a: Tanzanian tourism SME firms pursuing a low-cost strategy use performance measurement systems diagnostically to a greater extent than interactively.</p> <p>Hypothesis 4b: Tanzanian tourism SME firms pursuing a differentiation strategy use performance measurement systems interactively to a greater extent than diagnostically.</p>
3. To investigate how their use of performance measurement systems influences organisational capabilities and organisational performance.	<p>Hypothesis 5: Diagnostic use of performance measurement systems limits the deployment of Tanzanian tourism SME firms' capabilities of teaming of resources, organisational routines, entrepreneurship and innovativeness.</p> <p>Hypothesis 6: Interactive use of performance measurement systems promotes the deployment of Tanzanian tourism SME firms' capabilities of teaming of resources, organisational routines, entrepreneurship and innovativeness.</p> <p>Hypothesis 7: Diagnostic and interactive use of performance measurement systems has an indirect effect on organisational performance through their contribution to capabilities of teaming of resources, organisational routines, entrepreneurship and innovativeness.</p>

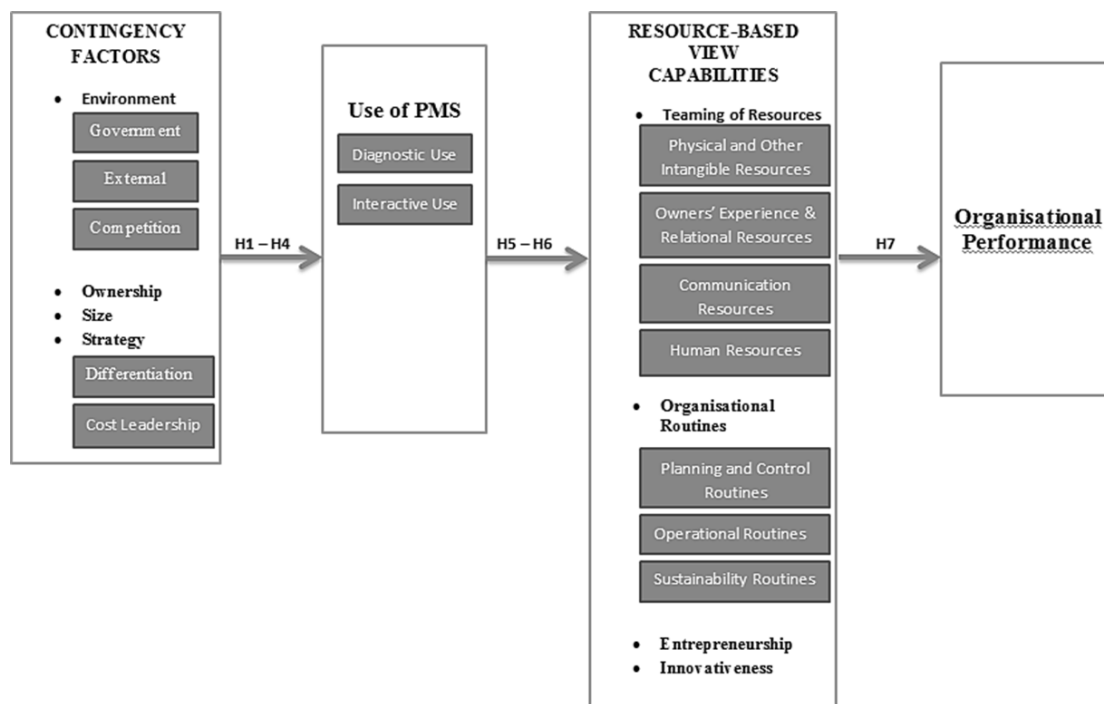


Figure 1 Theoretical Framework

3.0 Research Methods

This research employed a sequential mixed-methods research approach, combining qualitative and quantitative methods to gather and analyse data.

The research was conducted in two main stages:

1. Qualitative Phase: This initial stage involved a multiple case study approach focusing on three distinct tourism accommodation businesses in Tanzania (Miles & Huberman, 1994).

- Data Collection: The primary method was in-depth, semi-structured interviews with owner-managers and other members of the management team.
- Data Analysis: The qualitative data from the interviews were analysed using thematic analysis with the assistance of NVivo software.

2. Quantitative Phase: Following the qualitative analysis, this stage involved a survey distributed to the broader population of tourism SMEs in Tanzania's accommodation sector (Creswell, 2003).

- Data Collection: The survey was administered primarily as a web-based (online) survey, with a postal mail option available for participants who lacked internet access. A final sample of 65 usable responses was collected.
- Data Analysis: The quantitative data were analysed using IBM SPSS for preliminary assessments (like non-response bias tests) and Partial Least Squares Structural Equation Modelling (PLS-SEM) for the main hypothesis testing.

The researcher employed a multi-stage process to gather and assess the sample for both the qualitative and quantitative phases of the study.

Quantitative Survey Sample

1. **Initial Gathering:** The process began by compiling a comprehensive database of 422 tourism accommodation operators in Tanzania. This master list was compiled by gathering information from multiple sources, including public tourism websites (such as the Tanzania Tourist Board), official government lists, and informal networking with industry officials and consultants.

Assessment and Refinement: The initial population of 422 was systematically filtered to fit the study's focus on Small and Medium Enterprises (SMEs). Initially, large businesses, defined as those having over 100 rooms, were excluded from the study, which reduced the list of potential participants to 397 small and medium-sized enterprises (SMEs). After this initial filtration, three firms selected for qualitative case studies were also removed, resulting in a survey sample frame of 394 businesses. To ensure the accuracy of the data, a critical verification step was conducted: a research assistant contacted all 394 businesses by telephone to confirm their operational status and verify contact details. Through this process, it was discovered that 149 businesses were unreachable. Consequently, the final verified survey sample consisted of 245 businesses that were reachable.

Qualitative Case Study Sample

For the qualitative phase, three case study businesses were strategically selected from the initial database. The selection was not random but was based on specific criteria to ensure a rich and relevant analysis. The businesses in question comprised a diverse mix of small and medium-sized enterprises, each boasting an operational history of at least five years. This requirement ensured that they had established a solid foundation and experience in their respective markets. Furthermore, each business was mandated to have a performance measurement system in place, demonstrating their commitment to assessing and improving their operational effectiveness. It is noteworthy that the ownership structure of these three businesses reflected the rich ethnic diversity of the Tanzanian business landscape, with representation from the three major groups: Indigenous Tanzanians, Indo-Tanzanians, and Europeans. This blend of ownership not only highlights the inclusive nature of the business environment but also contributes to Tanzania's broader economic landscape.

4. Results

Contingency Factors and Use of Performance Management Systems

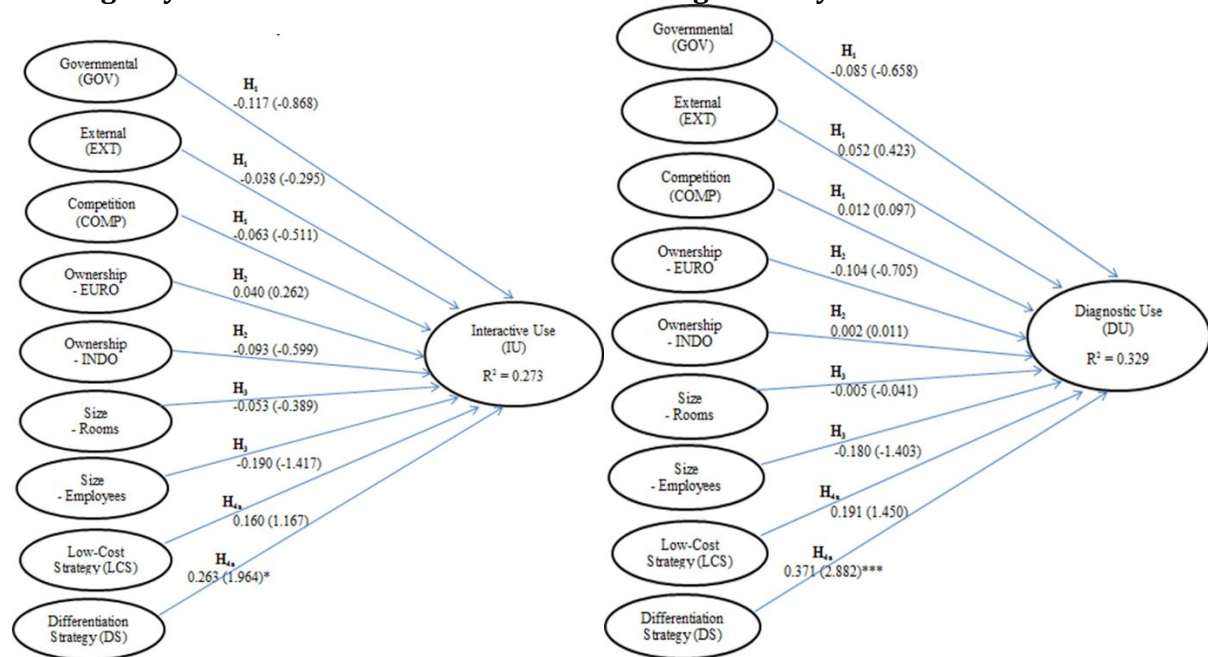


Figure 2 Model A (i) – Hypothesis 1–4 **Figure 3** Model A (ii) – Hypotheses 1–4

Table 1 Contingency Factors and Use of Performance Management Systems: Results of Hypotheses Testing H1, H2, H3, & H4

Hypothesis	Path	Path Coefficient	t-value	p-value	Sig. Level	Result
1a) Effects of Environmental Uncertainty on Interactive Use of performance management systems						
H ₁	GOV → IU (+)	-0.117	-0.868	0.389	-	Reject
	EXT → IU (+)	-0.038	-0.295	0.769	-	Reject
	COMP → IU (+)	-0.063	-0.511	0.611	-	Reject
b) Effects of Environmental Uncertainty on Diagnostic Use of performance management systems						
H ₁	GOV → DU (-)	-0.085	-0.658	0.513	-	Reject
	EXT → DU (-)	0.052	0.423	0.674	-	Reject
	COMP → DU (-)	0.012	0.097	0.923	-	Reject
2a) Effects of Ethnicity on Interactive Use of performance management systems						
H ₂	EURO → IU (+)	0.040	0.262	0.794	-	Reject
	INDO → IU (+)	-0.093	-0.599	0.551	-	Reject
b) Effects of Ethnicity on Diagnostic Use of performance management systems						
H ₂	EURO → DU (-)	-0.104	-0.705	0.484	-	Reject
	INDO → DU (-)	0.002	0.011	0.991	-	Reject
3a) Effects of Size on Interactive Use of performance management systems						
H ₃	SIZE _{ERM} ² → IU (+)	-0.053	-0.389	0.699	-	Reject
	SIZE _{EM} ¹ → IU (+)	-0.190	-1.417	0.162	-	Reject
b) Effects of Size on Diagnostic Use of performance management systems						
H ₃	SIZE _{ERM} ² → DU (-)	-0.005	-0.041	0.968	-	Reject
	SIZE _{EM} ¹ → DU (-)	-0.180	-1.403	0.166	-	Reject
4a) Effects of Strategy on Diagnostic Use of performance management systems						
H _{4a}	LCS → DU (+)	0.191	1.450	0.153	-	Reject
	DS → DU (-)	0.371	2.882	0.006	0.01	Partially Accept
b) Effects of Strategy on Interactive Use of performance management systems						
H _{4b}	LCS → IU (-)	0.160	1.167	0.248	-	Reject
	DS → IU (+)	0.263	1.964	0.055	0.10	Accept

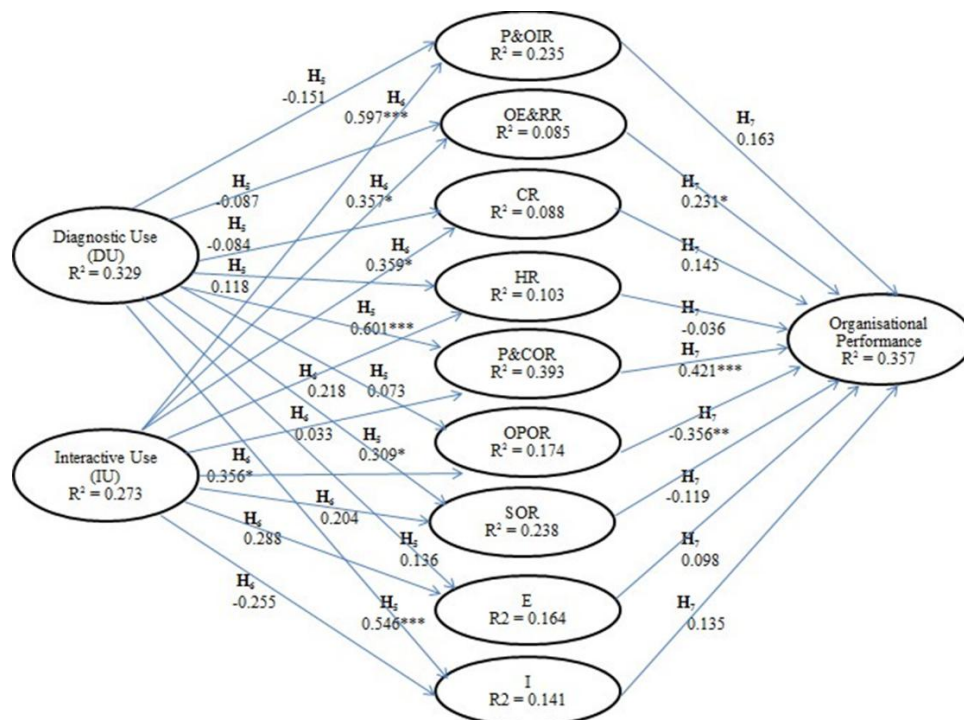


Figure 4 Model B – Hypotheses 5-7

Table 2 Contingency Factors and Use of Performance Management Systems: Results of Hypotheses Testing _ H5 & H6

Hypothesis	Path	Path Coefficient	t-value	p-value	Sig. Level	Result
1a) Effects of Diagnostic Use of performance management systems and Teaming of Resources						
H_5	DU → P&OIR (-)	-0.151	-0.817	0.417	-	Reject
	DU → OE&RR (-)	-0.087	-0.432	0.667	-	Reject
	DU → CR (-)	-0.084	-0.416	0.679	-	Reject
	DU → HR (-)	0.118	0.588	0.558	-	Reject
b) Effects of Diagnostic Use of performance management systems and Organisational Routines						
	DU → P&COR (-)	0.601	3.643	0.001	0.01	Partially Accept
	DU → OPOR (-)	0.073	0.378	0.707	-	Reject
	DU → SOR (-)	0.309	1.674	0.099	0.10	Partially Accept
c) Effects of Diagnostic Use of performance management systems and Entrepreneurship						
	DU → E (-)	0.136	0.702	0.485	-	Reject
d) Effects of Diagnostic Use of performance management systems and Innovativeness						
	DU → I (-)	0.546	2.784	0.007	0.01	Partially Accept
2a) Effects of Interactive Use of performance management systems and Teaming of Resources						
H_6	IU → P&OIR (+)	0.597	3.223	0.002	0.01	Accept
	IU → OE&RR (+)	0.357	1.763	0.083	0.10	Accept
	IU → CR (+)	0.359	1.776	0.081	0.10	Accept
	IU → HR (+)	0.218	1.088	0.281	-	Reject
b) Effects of Interactive Use of performance management systems and Organisational Routines						
	IU → P&COR (+)	0.033	0.199	0.843	-	Reject
	IU → OPOR (+)	0.356	1.851	0.069	0.10	Accept
	IU → SOR (+)	0.204	1.103	0.274	-	Reject
c) Effects of Interactive Use of performance management systems and Entrepreneurship						
	IU → E (+)	0.288	1.486	0.142	-	Reject
d) Effects of Interactive Use of performance management systems and Innovativeness						
	IU → I (+)	-0.255	-1.300	0.198	-	Reject

Table 3 Contingency Factors and Use of Performance Management Systems: Results of Hypotheses Testing _ H7

Hypothesis	Path	Path Coefficient	t-value	p-value	Sig. Level	Result
1a) Effects of Teaming of Resources and Organisational Performance						
H7	P&OIR → OP (+)	0.163	0.993	0.325	-	Reject
	OE&RR → OP (+)	0.231	1.814	0.075	0.10	Accept
	CR → OP (+)	0.145	1.141	0.259	-	Reject
	HR → OP (+)	-0.036	-0.290	0.773	-	Reject
b) Effects of Organisational Routines and Organisational Performance						
	P&COR → OP (+)	0.421	2.709	0.009	0.01	Accept
	OPOR → OP (+)	-0.356	-2.306	0.025	0.05	Partially Accept
	SOR → OP (+)	-0.119	-0.826	0.413	-	Reject
c) Effects of Entrepreneurship and Organisational Performance						
	E → OP (+)	0.098	0.749	0.457	-	Reject
d) Effects of Innovativeness and Organisational Performance						
	I → OP (+)	0.135	1.132	0.262	-	Reject

The dissertation's results can be understood in three stages: 1) how external and internal factors influence the use of Performance Measurement Systems (PMSs); 2) how PMSs are then used to develop organisational capabilities; and 3) how those capabilities ultimately affect overall organisational performance.

Part 1: Factors Influencing the Use of Performance Measurement Systems (PMS)

This section addresses the first research objective, which examined how four key contingent factors, environmental uncertainty, ownership by ethnicity, size, and strategy, influenced whether firms used PMSs in a diagnostic (monitoring) or interactive (dialogue-focused) manner.

Hypothesis Group	Research Hypothesis	Result	Explanation of Results
<i>H1: Environmental Uncertainty</i>	Firms in uncertain environments will use PMSs more interactively, while firms in stable environments will use them more diagnostically.	Rejected	The quantitative analysis found no significant relationship between perceived environmental uncertainty and the style of PMS use. The qualitative data explained this by showing that the business environment was perceived as only moderately uncertain. Factors such as government regulation and global trends were unpredictable, but customer demands and competition remained stable. This mixed environment did not push firms to one extreme, and they ultimately employed a combination of both diagnostic and interactive controls.
<i>H2: Ownership (by Ethnicity)</i>	Firms, regardless of their owners' ethnicity, will use PMSs interactively.	Rejected	The quantitative results showed no statistically significant difference in PMS use among Indigenous-owned, European-owned, and Indo-Tanzanian-owned firms. However,

			the qualitative case studies revealed that ethnicity had a strong influence on management style. All three ethnic groups fostered informal, hands-on, and relationship-based management styles, which naturally favoured interactive dialogue. This suggests that different cultural paths led to a similar interactive management outcome, masking any statistical difference between the groups.
<i>H3: Business Size</i>	Firms, regardless of their size, will use PMSs interactively.	Rejected	The quantitative analysis found no significant link between firm size (measured by employees or rooms) and the style of PMS use. The study's sample consisted overwhelmingly of small firms (94% by room count), which limited the statistical power to detect size-based differences. The qualitative data indicated that both small and medium-sized firms used informal, personal controls due to their flat organisational structures and the owners' direct involvement in daily operations, which supports an interactive style regardless of minor size differences.
<i>H4: Strategy</i>	Firms with a low-cost strategy will use PMSs diagnostically (H4a), while firms with a differentiation strategy will use them interactively (H4b).	Partially Accepted	<ul style="list-style-type: none"> - Low-Cost → Diagnostic Use (H4a): Rejected. The relationship was not significant. - Differentiation → Interactive Use (H4b): Accepted. A significant positive relationship was found. - Unexpected Finding: A significant positive relationship was also found between Differentiation Strategy and Diagnostic Use. <p>Explanation: The firms overwhelmingly used a differentiation strategy focused on high-quality service. To achieve this, they needed interactive methods (e.g., direct customer feedback, staff meetings) to ensure service quality, confirming H4b. However, they also needed diagnostic tools to monitor costs and key metrics to ensure their high-quality service was delivered profitably, explaining the unexpected positive link to diagnostic use.</p>

Part 2: The Influence of PMS Use on Organisational Capabilities

This section addresses the impact of diagnostic and interactive PMS use on four key capabilities: Teaming of Resources, Organisational Routines, Entrepreneurship, and Innovativeness.

<i>Hypothesis Group</i>	<i>Research Hypothesis</i>	<i>Result</i>	<i>Explanation of Results</i>
<i>H5: Diagnostic Use</i>	Diagnostic use of PMS will limit the deployment of organisational capabilities.	Rejected & contradicted	<ul style="list-style-type: none"> - Teaming of Resources: No significant relationship found. The hypothesis was rejected. - Organisational Routines: A significant positive relationship was found with Planning & Control routines and Sustainability routines. This contradicts the hypothesis. - Innovativeness: A significant positive relationship was found. This also contradicts the hypothesis. <p>Explanation: The study suggests that because the SMEs operated in a stable environment and used diagnostic controls informally, these controls did not stifle capabilities. Instead, they provided a necessary structure for effective planning and control, which in turn supported innovation rather than hindering it.</p>
<i>H6: Interactive Use</i>	Interactive use of PMS will promote the deployment of organisational capabilities.	Partially Accepted	<ul style="list-style-type: none"> - Teaming of Resources: Accepted. Interactive use was significantly and positively related to the ability to combine physical, relational, and communication resources. - Organisational Routines: Partially Accepted. A significant positive relationship was found with Operational Routines only. - Entrepreneurship & Innovativeness: Rejected. No significant relationship was found. <p>Explanation: Interactive methods like regular meetings and open dialogue directly facilitate the coordination required for combining resources and managing daily operational routines. The lack of impact on entrepreneurship and innovation was attributed to the firms' small size, limited resources, and a "lifestyle entrepreneur" mindset, which constrained their ability to pursue major innovations regardless of management style.</p>

Part 3: The Influence of Capabilities on Organisational Performance

This final section addresses the third research objective by examining the indirect impact of PMS use on organisational performance, mediated by the four capabilities. The main focus is to determine whether the capabilities themselves are related to performance.

<i>Hypothesis Group</i>	<i>Research Hypothesis</i>	<i>Result</i>	<i>Explanation of Results</i>
<i>H7: Indirect Effect on Performance</i>	The four organisational capabilities will positively influence organisational performance.	Partially Accepted (with a major contradictory finding)	<ul style="list-style-type: none"> - Teaming of Resources → Performance: Partially Accepted. Only the "Owners' Experience and Relational Resources" dimension had a significant positive impact on performance. - Organisational Routines → Performance: Mixed Results. <ul style="list-style-type: none"> - Planning & Control Routines had a significant positive impact. - Operational Routines had a significant negative impact. This is a major counterintuitive finding that contradicts the hypothesis. - Entrepreneurship & Innovativeness → Performance: Rejected. No significant impact was found. Explanation: The positive findings are logical: experienced owners and good planning lead to better performance. The major unexpected finding is that better operational routines were linked to <i>worse</i> performance. The dissertation suggests this could be because the informal systems led managers to focus too heavily on daily tasks at the expense of long-term strategy, or that the routines themselves were inefficient. The lack of impact from entrepreneurship and innovativeness on performance reinforces the idea that these capabilities were too constrained by limited resources to drive tangible results in this sample.

Conclusion

The central conclusion is that Performance Measurement Systems (PMSs) enhance the organisational performance of Tanzanian tourism SMEs indirectly, by improving specific organisational capabilities.

Rather than a direct link between measuring performance and achieving better results, the thesis concludes that the value of a PMS lies in its ability to strengthen the underlying functions of the business. The study's findings are synthesised into a comprehensive conclusion that addresses its three main research objectives.

1. *The Use of PMS is Nuanced and Context-Dependent*

The study concludes that tourism SMEs in Tanzania do not use Performance Measurement Systems in a purely diagnostic (monitoring) or interactive (dialogue-focused) way. Instead, they employ a flexible blend of both approaches.

- **Influence of Strategy:** The most significant factor influencing PMS use was the firm's strategy. Businesses pursuing a differentiation strategy (focusing on high-quality, unique services) were found to use PMSs both diagnostically to control costs and interactively to ensure service quality and customer satisfaction.
- **Limited Influence of Other Factors:** Other factors, like environmental uncertainty, ownership by ethnicity, and business size, did not show a statistically significant relationship to the *style* of PMS use. The research concludes this is because the business environment was only moderately uncertain, and the small size and informal management style of most firms naturally fostered an interactive approach regardless of other factors.

2. *The Impact of PMS on Capabilities is Specific and Sometimes Contradictory*

The thesis concludes that the way a PMS is used has a direct and specific impact on different organisational capabilities, though not always in the way that was initially hypothesised.

- **Interactive Use Boosts Collaboration:** The interactive use of PMS (e.g., frequent meetings, open dialogue) significantly enhances a firm's ability to combine and utilise its resources, a capability the study terms "resource teaming".
- **Diagnostic Use Strengthens Planning:** Contrary to the initial hypothesis that diagnostic use would limit capabilities, the study found it had a significant positive impact on Organisational Routines, particularly those related to planning and control. It also positively influenced Innovativeness. The conclusion is that in a stable environment, these formal checks provide a necessary structure that supports, rather than stifles, organized innovation.
- **Entrepreneurship and Innovativeness Remain Constrained:** The study concludes that neither diagnostic nor interactive PMS use significantly boosted the capabilities of entrepreneurship or innovativeness. The author attributes this to overriding constraints such as limited financial resources, the small scale of the businesses, and a "lifestyle entrepreneur" mindset, which were more powerful than the influence of the PMS.

3. *The Path to Improved Performance is Indirect and Mediated*

The final and most critical conclusion of the thesis is that the link between PMS use and overall organisational performance is not direct. Performance improves only when the PMS successfully enhances specific, value-creating capabilities.

- **Key Capabilities Driving Performance:** The study concludes that two capabilities were the primary mediators through which PMSs improved performance:
 1. **Teaming of Resources:** Specifically, the "Owners' Experience and Relational Resources" dimension, which includes industry experience and professional networks.
 2. **Organisational Routines:** Specifically, the "Planning and Control" routines, which provide structure and strategic direction.
- **A Major Contradictory Finding:** The study uncovered a significant negative relationship between *operational routines* and organisational performance. The thesis concludes that this may be because the informal systems led managers to become too focused on daily, short-term tasks, potentially at the expense of strategic, long-term activities.
- **Final Conclusion:** By integrating these findings, the study concludes that for a Tanzanian tourism SME, the most effective path to better performance is to use a PMS to leverage the owner's experience and industry relationships while establishing strong planning and control processes. Simply measuring outcomes is not enough; the measurement system must be used to build these specific internal strengths.

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