

## Chapter 6

# Commercialization of Innovations in Tanzania: An Empirical Investigation

**Mshindi Andrew Rwamuhuru**

*University of Dodoma, Tanzania*

**Amani Gration Tegambwage**

*University of Dodoma, Tanzania*

### **ABSTRACT**

*The study investigates types, sources of innovation, and corresponding challenges to commercialization among small and medium-sized industries (SMIs) in Tanzania. It employed a qualitative research design with semi-structured interview method. Findings indicate that incremental, product, and process are common types of innovations introduced. The major sources of innovations are employees, consumers, user-manufacturer lifestyles, consequential needs, and best practices by manufacturing firms. Also, it was revealed that SMIs do not follow all steps of the innovation commercialization process. Major challenges facing SMIs in the commercialization process include lack of commercialization knowledge; lack of development infrastructure and fast logistics; lack of strong university, industry, and public institutions linkage; and regulatory authorities' bureaucracy, among others. The study recommends that SMIs establish strong research and development units and collaborations with key stakeholders in order to improve identification and commercialization of innovations in Tanzania.*

### **INTRODUCTION**

The society cannot develop without innovations, as innovations create new products, devise new uses for existing products, and improve enterprise's efficiency and profit (Olefirenko & Shevliuga, 2017). In other words, innovations provide the foundation for new businesses, new jobs and productivity growth, and are thus important drivers of economic growth, industrial change, and competitive advantage. Boyne et al. (2006) maintain that, in the contemporary "knowledge-based economy", characterized by both

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accelerating pace of change and increasing complexity and uncertainty, the ability of firms to adapt in their external environment and to remain competitive is closely related to their capacity to innovate and continuously upgrade and renew their knowledge bases, products and structures. Thus, the current world economy requires rapid and dynamic development of innovations across countries (Olefirenko & Shevliuga, 2017). Innovations can help address pressing social and global challenges, including demographic shifts, resource scarcity, and the changing climate (Boyne et al., 2006). It is impossible to ensure effective development of industrial enterprises without innovations (Olefirenko & Shevliuga, 2017). Over the past decade, the importance of innovation has become increasingly apparent for national economy, competitiveness, and the well-being of Tanzanian citizens (URT, 2016).

When an individual innovator or organization commits part of its inherently limited resources to innovative endeavors, it expects appropriate economic benefits or returns. Returns from investments in new product development (NPD) are achieved by either selling the new offering to customers or by licensing out the technology (Maine & Garnsey, 2006). The process of selling the new offering to customers or licensing out the technology is generally referred to as commercialization (Maine & Garnsey, 2006). This means that innovations reach the market through commercialization process. The commercialization of innovations guarantees for the return of investment in new products or technologies by leveling risk and increasing the probability of success of innovative projects (Olefirenko & Shevliuga, 2017). Establishing and ensuring the efficiency of innovations commercialization process is an objective precondition that creates material values and new demand in the market, shifting the emphasis from the production of enterprises to various management fields, creates new ways of capital substitution and enhances the level of innovation activity profitability (Olefirenko & Shevliuga, 2017). Since the ultimate purpose of new product development is the commercialization of the new offerings, the innovation process is incomplete without commercialization (Jensen, 2016).

Despite a good number of innovative researches conducted and innovations introduced in Tanzania, few innovations are commercialized (Osoro et al., 2014). In fact, only a very low proportion of raw ideas culminate into successful commercial products (Stevens & Burley, 1997). This implies that, research knowledge and innovations have not been successfully exploited and transformed into products and services. If these innovations were successfully commercialized, they could bring impact on the growth of small and medium sized industries and contribute to the realization of Tanzania's industrialization goal. Low success rates of commercialization of innovations may be due to not only technical issues but also flaws in the commercialization process (Osoro et al., 2014).

Further, most of studies on the types and sources of innovations have been conducted in the developed countries (e.g., Gunday et al., 2011; Varis & Littunen, 2010). These studies identified four different innovation types: product innovation, process innovation; marketing innovation and organizational innovation. These studies also found out that innovations originate from two forces, market and technology. Market based innovations concentrate on existing customers, and acquisition of new customers in well defined target markets, while innovations in technology involve changes to a firm's current product, targeting existing customers (Gunday et al., 2011).

In the developing countries especially in Africa, very limited studies on the types and sources of innovations could be found. Menor et al. (2002) contend that although there is agreement in the literature that different types of innovations exist, there is still little agreement on what these different types are. Thus, the objective of this study is to identify the different types and sources of innovation and their corresponding challenges to commercialization among Small and medium-sized industries in Tanzania.

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