

## Chapter 13

# Enhanced Innovation Process as a Key Driver of Bakery Performance

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### ABSTRACT

*Small and medium-sized enterprises (SME) in the food sector play a pivotal role in contributing to the developing country's economy. In order to improve a small and medium-sized enterprises (SME), one key driver is innovation, and for innovation initiatives to grow and succeed, they depend largely on the leadership and the innovation capabilities of the firm. This chapter will shed more light on the impact of the enhanced innovation process on the performance of small and medium-sized enterprise (SME) bakeries. A qualitative study was conducted on 186 registered bakery owners/managers of bakeries. The results indicated that the relationship between enhanced innovation process and output level in small and medium-sized enterprises (SME) bakeries are significant. It has been revealed that the workforce's professional behaviour, the acquired competency through training, and the rewarding systems moderate the relationship between enhanced innovation process and output level in small and medium-sized enterprise (SME) bakeries.*

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## **INTRODUCTION**

Small and Medium-sized Enterprises (SME) are the key role-players in stimulating growth and economic activities within African countries. In Tanzania's food sector there are many Small and Medium-sized Enterprises (SME) bakeries. Many factors contribute to promoting the performance of bakeries. In this paper the researchers' highlight the importance of innovation. Innovation takes place within product development, marketing and communication areas of the small business. The success of the innovation process depends on the ability of the Small and Medium-sized Enterprises (SME) to enhance the customer offerings.

To determine the contribution of innovation strategies on the performance of Small and Medium-sized Enterprises (SME) bakeries in Tanzania. Understanding the effective entrepreneurial strategies that enable Small and Medium-sized Enterprises (SME) to compete fosters core competences needed to address various challenges facing Tanzanian Small and Medium-sized Enterprises (SME) particularly those in the food sector such as bakeries. Although the sector is one of the major job creators in Tanzania, there is no research that links entrepreneurial strategies with specific relation to innovation and how it impacts on Small and Medium-sized Enterprises (SME) performance in Tanzania. The study will assist in knowledge creation in the area of Small and Medium-sized Enterprises (SME) innovation and its impact on performance. The study will also inform business practitioners, Small and Medium-sized Enterprises (SME) owners / managers, and entrepreneurs about the approaches needed to compete and drive their growth and sustainability.

## **BACKGROUND**

Small and Medium-sized Enterprises (SME) play a vital role in driving socio-economic development in many countries including developing nations. It is estimated that 99% of all of the operating businesses around the globe are Small and Medium-sized Enterprises (SME) (Robu, 2013; Savlovschi & Robu, 2011). They also account for 99% of all of the enterprises in developing countries, and 95% in Sub-Saharan Africa (Fjose et al., 2010). Small and Medium-sized Enterprises (SME) contribute significantly in poverty reduction and are the sources of employment opportunities (Katua, 2014; Savlovschi & Robu, 2011). They employ 60-70% of all employees (Robu, 2013; Savlovschi & Robu, 2011). In Tanzania, Small and Medium-sized Enterprises (SME) are also an engine in poverty reduction (URT, 2012), job creation (Maliti & Mnenwa, 2008), and GDP growth. For example, in 2010, about 27% of the GDP was contributed to by small enterprises (URT, 2012). The benefits of Small and Medium-sized Enterprises (SME) are numerous in various economies. For example, they can prevent large enterprises from controlling the market, and are drivers of innovation (Savlovschi & Robu, 2011), and competitiveness (Robu, 2013). Their competitive advantages can be translated in terms of their efficient utilization of resources and high capital productivity (Huang, 2003; Savlovschi & Robu, 2011), low production cost, management cost (Keskin et al., 2010; Robu, 2013), high flexibility and fast decision making process, and their lower cost of creating employment opportunities than is in large firms (Savlovschi & Robu, 2011). Also, Small and Medium-sized Enterprises (SME) need small capital (Keskin et al., 2010). However, in order to continue realizing their contribution to the socio-economic development of various economies such as Tanzania, Small and Medium-sized Enterprises (SME) need to realize growth. This can be realized

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