

Chinese SMEs in Emerging African Markets: Innovative Management and Marketing Performance

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Abstract

This paper evaluates the performance of the SMEs owned and managed by the Chinese entrepreneurs in Tanzania and those SMEs owned and managed by the Tanzanian entrepreneurs in Tanzania. Our study indicated that innovation culture was the key to success of the Chinese SMEs operating in Tanzania compared to the SMEs of Tanzania nationals. This was deemed to the fact that the mangers of the Chinese SMEs value the willingness of their members to experiment new business idea, revise their marketing programs to stay ahead of the market, gain financial support from their government, frequently develop more product features, and attract new customers. The major constraints of the Tanzanian SMEs were slow pace of government support, weak linkages between Chinese SMEs and Tanzanians SMEs for technological transfer, lack of adequate funds within the enterprise, and uncertain demand for innovative goods and services.

Keywords: Tanzania; SMEs; Innovation culture; Marketing performance

Introduction

Small and medium-sized enterprises (SMEs) play a vital role in the economic development of many nations. The functions of SMEs in each nation of the world is not only limited to their contribution to national output, but include the ability to fulfill social objectives, attract considerable foreign reserves and provide more employment opportunity. The SMEs are indispensable and can serve as the backbone of every nation and are the primary component of liberal economy that can lead to social stability.

Innovation is a vital component required for the success of SMEs, especially in emerging markets of developing countries which implies that the market performance of SMEs is somewhat dependent on the level of their innovation. Therefore, the SMEs should improve their product, develop new marketing approach and optimize their organizational settings for a successful business practice [1]. Studies have shown that there are linkages between the size of SMEs, market performance and their innovation capacity [2,3]. Most studies have also highlighted that the ability of SMEs to access new market opportunities depends on their growth and market performances [2,4]. Therefore, knowledge on the innovation culture of SMEs with respect to market performance will facilitate our understanding of their market opportunities, competitions among the SMEs and internationalization of their business. This is because innovative culture of the SMEs can be a long-term yard-stick for their growth, which on a wider scale may improve the economy of their nation.

Recently, the trade between China and African countries is increasing and many Chinese SMEs are seeing African market as an opportunity for them to expand their business. Notably, majority of the Chinese SMEs who entered into the African markets were those who went on the grounds of developmental assistance, they focused mainly on projects. As times goes on, majority of these SMEs became familiarized with the nature and working of the African market and gained much advantage to learn more about Africa's business environments. They were able to utilized their opportunity to make more investments of which, most of these SMEs are presently focusing on manufacturing and a lot have been able to make an imprint in food processing, fishing, textile, footwear and pharmaceutical industries, etc.

Tanzania is an East African country with a population of more than 58 million people. It appears that one-third of the country's GDP is derived from the SME sector. Apparently, the Tanzanian SMEs utilizes more of local resources. Investigations by the authors revealed that majority of the Tanzania's SMEs owned by their nationals lacks the technological know-how coupled with poor strategic management of their resources compared to the SMEs owned and managed by the Chinese entrepreneurs in Tanzania. Therefore, a comparable study of the SMEs owned and managed by the Tanzania entrepreneurs and those of the Chinese would be essential for the assessment of the various drivers and bottle-necks influencing their market performance, competiveness as well as economic development of Tanzania as a nation. It will also be beneficial for the individual entrepreneurs/ managers in Tanzania who seek to improve their firms and those in China who are seeking market opportunity in Tanzania.

To achieve this, we employ the resource-based view (RBV) approach reported by Terziovski [5] in the evaluation of the interrelationship existing between the tools of innovation and the drivers of market performance. Theoretically, the RBV provide answers to the following questions, which are also the objectives of this study. The questions are as follows; how are marketing innovation and product innovation affected by SMEs innovation culture? How marketing innovation ability does affect SMEs market performance? and how does SMEs market performance affected by product innovation? providing insights to these questions in the comparable study of both the Chinese and Tanzanian SMEs operating in Tanzania will be imperative as it will provide more tools for a better business operation and performance, and which in a large scale will lead to an improve economy of Tanzania.

Research Framework and Hypotheses

The framework of this study groups various variables that are related to innovation into three vital business factors and examines how the marketing performance of SMEs are affected by these variables. These factors are innovation culture, marketing innovation, product innovation, and marketing performance (Figure 1). Innovative culture is imperative when evaluating innovative performance of SMEs as it provides the employees of various SMEs with the enabling and favorable environment to be creative and also be ready to take vital risks in the creation of new ideas, and provide them with the opportunities that are necessary for the innovation of their products [6-8]. This is because competition grounds among SMEs is provided by the level of innovation and, which is also dependent on the access to more market opportunities [6,9,10]. Innovation involves constant sharing of new innovative ideas, values, and beliefs among business expert, which are members of the SMEs [11,12], and in a long run facilitates SMEs development [13,14]. Innovation culture assists the SMEs in the identification of new strategies so as to create new business channels, and implement new methods, which aids in the marketing of products that are valuable and demandable by customers [15]. This implies that an SME can gain a competitive advantage over the other SMEs based on their culture of innovation, especially when it requires product improvement, marketing strategies, and marketing performance. Therefore, it is reasonable to say that the marketing innovation of the SMEs is strongly dependent on the culture of innovative and as such, there should be a strong and significant relationship between innovative culture and marketing innovation.



Figure 1: Research framework and hypotheses.

Marketing innovation is quite essential for the innovative performance of SMEs [16]. It involves marketing of products in such a way that are attractive and demanding by customers. Marketing innovation requires that customers' needs beyond the product. By so doing, the SMEs needs to evaluate customer perceptions towards their products and should be able to create more opportunity for product evaluation by customer's based on their satisfactions [17,18]. When there is an innovation in the services offered by SMEs in terms of innovations of goods and services, more customers will be attracted and their market segments will be enlarged [19,20]. Due to the diversity in marketing products, an SME can also gain a competitive advantage over other SMEs., which is also dependent of how cheaper their products are as well as the quality of their products [21,22]. Because of this, it is expected that SMEs should improve their marketing methods and strategies in order to promote their products, especially those products that are very common and readily available in the market [23]. Therefore, it is reasonably to say that marketing innovation is vital for product innovation and performance. However, for some of the SMEs to be outstanding in market, they must be able to come up with outstanding and excellent products, which are friendly to consumers and demanding to the market compared to those of their competitors.

Product innovation is an essential aspect of innovation culture of SMEs and regarded as an excellent attribute of marketing products or services [18]. Invariably, product innovation should strategically satisfy the customer's needs and foster successful product entry into the emerging markets [24,25]. It is believed that product innovation affects company's performance [26-29]. This is because successful product innovation generates profits, increases market share, and has a positive impact on market performance [18,28,30]. It also offers superior value to customers and thereby increases firms' market performance.

Market performance of SMEs is the key driver of economic growth in many economies. It is related to market share, sales determiners, revenue premium of the products, and services [31]. Many of the SMEs in many nations around the world do have high percentage of failure in their operations because of poor flexibility, resource limitations, poor decision-making processes, coupled with inexperienced employees and ownership [32]. For example, poor leadership and bad planning processes are among the primary causes of the SME's business failures [33,34]. Because of this, SMEs are subjected to seek various ways to improve and maintain a competitive advantage, such as innovation, access to market, and elevate their productivity. Moreover, the SMEs can apply marketing innovations effectively, especially when marketing innovative products both in the local and/or international markets. Studies have indicated that a significant positive relationship exists between innovation culture and market performance [35,36]. However, the relationship between different types of innovation and market performance of SMEs will be evaluated in this study. Considering the size of SMEs in terms of number of employees, innovation is the most critical factor for the improvement of many business disadvantages [3]. Therefore, the continual development of marketing products and provision of excellent services so as to meet up with customers' need, with a focus on market performance is essential for high productivity of SMEs. The following hypotheses are the basis for empirical test in this study.

 $\mathbf{H}_{1a}.$ The marketing innovation performance of SMEs are affected by innovation culture.

 $\mathbf{H}_{\mathrm{lb}}.$ Innovation culture has a positive effect on the product innovation of SMEs.

 $\mathbf{H}_{2a}.$ Marketing innovation has a positive effect on the product innovation of SMEs.

 \mathbf{H}_{2b} . Marketing innovation has a positive effect on the market performance of SMEs.

 \mathbf{H}_{3} . Product innovation has a positive effect on the market performance of SMEs.

Material and Methods

Data collection and sample

The data used in this study were obtained between February and October, 2017 in Tanzania. The targeted firms were both the Tanzanian and Chinese SMEs and the sample consisted mainly of the managers, marketing and research and development (R&D) managers of the SMEs. The data was obtained through face-to-face interview. Individuals from both 20 Chinese and Tanzanian SMEs, respectively were subjected to filled in the questionnaires. A total of 18 individuals in Chinese SMEs completed the survey in full, with a response rate of 90%. On the other hand, 16 individuals in Tanzanian SMEs completed their survey in full, with a response rate of 80%. The SMEs were selected for this study because of the vital role the play in economic development and their contributions to the income growth. It is imperative to also note that SMEs also enhance employment growth, and create the most dynamic environment in emerging economies [37,38]. Nevertheless, the innovative activities of SMEs can provide them with the necessary tools to shorten life cycles of products and also increase their chances of survival, to compete and grow in a competitive environment [39]. This is especially true for the SMEs in emerging country [40,41] such as those in Tanzania. For the Chinese SMEs, it was observed that 85% of the sample consisted of the business owner, and also had up to 10 years' experience. For the Tanzanian SMEs, it was observed that 95% of the sample consisted of the business owner. The number of years of experience were >10 years. More than 80% of the surveyed Tanzanian and Chinese SMEs had between 1 and 65 employees, which therefore allow them to be classified as SMEs.

Common method bias

During this study, we tried as much as possible to eliminate the common method variance (CMV)/self-informant bias in the use of

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subjective measures. This was achieved by involving many persons within the firm to respond to our questions as much as possible in order to estimate the model. We added a first-order factor (a single unmeasured latent method factor) to all the measurements [42] in order to further ensure that CMV bias is not a serious concern for this study. Based on our theoretical argument, our data were well fitted into the proposed model, which further confirms that the effect of CMV and self-informant bias were non-existent and hence, the reliability of our data.

Scale validity and reliability

We tested our hypotheses using Structural Equation Modeling (SEM). The loadings, composite reliabilities, Cronbach alphas and average variance extracted (AVE) for both the Chinese SMEs and Tanzanian SMEs are shown in Table 1. It is expected that the minimum loading should ideally be at 0.70 or above. However, the admissible value of loading values is 0.5 [43]. We investigated the composite reliability and AVE for all variables for both the Chinese and Tanzanian SMEs, which are included in the model. According to Fornell and Larcker [44], composite reliability values which exceed 0.60 are acceptable in terms of the reliability of a measure, while those which are below 0.6 are not acceptable. For the Chinese SMEs, all composite reliabilities were>0.60 (0.71, 0.74, 0.81 and 0.73, respectively). Similarly, all composite reliabilities were>0.60 (0.61, 0.65, 0.63 and 0.62, respectively) for Tanzanian SMEs (Table 1). It was also observed that the AVE range for the Chinese and Tanzanian SMEs achieved the recommended value of 0.5. In particular, the AVE values for innovation culture, product innovation, marketing innovation and marketing performance of the Chinese and Tanzanian SMEs achieved the acceptable value of 0.5 (Table 1). The Cronbach's alphas for the four determinants of the Chinese and Tanzanian SMEs exceeded the threshold of 0.70. These imply that the measurement model was reliable and valid.

	S.F.L		S.E		C.R		AVE		Cronbach Alpha	
ltem	China	Tanzania	China	Tanzania	China	Tanzania	China	Tanzania	China	Tanzania
IC1	0.74	0.65	0.61	0.53	0.71	0.61	0.5	0.5	0.87	0.76
IC2	0.68	0.68	0.59	0.54						
IC3	0.71	0.66	0.54	0.58						
IC4	0.73	0.71	0.62	0.49						
IC5	0.69	0.64	0.56	0.51						
PI1	0.77	0.63	0.58	0.43	0.74	0.65	0.5	0.5	0.83	0.74
PI2	0.75	0.81	0.72	0.58						
PI3	0.79	0.73	0.68	0.55						
PI4	0.81	0.74	0.63	0.56						
PI5	0.76	0.67	0.55	0.54						
MI1	0.78	0.68	0.58	0.43	0.81	0.63	0.5	0.5	0.75	0.72
MI2	0.66	0.65	0.48	0.41						
MI3	0.71	0.71	0.47	0.43						

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MI4	0.73	0.73	0.53	0.46						
MI5	0.69	0.67	0.59	0.51						
MI6	0.83	0.68	0.58	0.53						
MI7	0.73	0.65	0.53	0.59						
MP1	0.67	0.71	0.65	0.52	0.73	0.62	0.5	0.5	0.81	0.73
MP2	0.65	0.63	0.54	0.47						
MP3	0.81	0.66	0.57	0.59						
MP4	0.64	0.72	0.63	0.48						
MP5	0.73	0.68	0.59	0.43						
Chinese SMEs (CMIN/DF: 2.47; GFI: 0.63; CFI: 0.63; NFI: 0.87; IFI: 0.83; RMSEA: 0.07; AGFI: 0.63; RMR: 0.37); Tanzania SMEs (CMIN/DF: 1.87; GFI: 0.85; CFI: 0.63; NFI: 0.91: IFI: 0.63; RMRE: 0.91: IFI: 0.63; RMSEA: 0.05; AGFI: 0.85; RMR: 0.21).										

 Table 1: Measurement model outcome. S.F.L, S.E., C.R., AVE, CA, represents Standard Factor Loadings, Composite Reliability, Average Variance Extracted, and Cronbach Alpha, respectively.

Measurement model testing

In this study, the marketing innovation variables were adapted from Sok et al. [45] innovation culture variables were assessed using a 5factor scale based on the work of Terziovski [5], Gupta and Gupta [46]. The product innovation was also assessed using a 5-factor scale derived from Vinarski-Peretz et al. [47] and Prajogo [29] while the marketing performance variables were obtained from Sok et al. [45] and Hoogan and Coote [48]. The measurement variables for innovation culture, marketing innovation, product innovation used in this study were assessed based on 5-point scales range of 1 (strongly disagree) to 5 (strongly agree). The marketing performance measurement variables were also assessed on a 5-point scale in the range of 1 (poor) to 5 (excellent). We carried out the confirmatory factor analysis of the resulting set of variables using a using SEM in AMOS 16. The Chisquare, the goodness of fit index (GFI), root mean square error of approximation, the adjusted goodness of fit index (AGFI), the comparative fit index (CFI), incremental fit index (IFI), the root mean square residual (RMR), the root mean square error of approximation (RMSEA), all indicated a good fit for the samples from the Chinese SMEs. These indices verified the critical values for good model fit for the data for Chinese SMEs (CMIN/DF: 2.47; GFI: 0.63; CFI: 0.63; NFI: 0.87; IFI: 0.83; RMSEA: 0.07; AGFI: 0.63; RMR: 0.37), and Tanzanian SMEs (CMIN/DF: 1.87; GFI: 0.85; CFI: 0.63; NFI: 0.91; IFI: 0.63; RMSEA: 0.05; AGFI: 0.85; RMR: 0.21).

The descriptive statistics and correlation coefficients between innovation culture, marketing innovation, product innovation, and marketing performance for the Tanzanian and Chinese SMEs are shown in Table 2 (panel a and b, respectively). For the Chinese SMEs (Table 2: panel a), the correlation between innovation culture and marketing innovation versus product innovation were positive and significant (r=0.62, p<0.01 and r=0.69, p<0.01). Similarly, both the innovation culture and marketing innovation showed a positive and stronger relationship versus marketing performance (r=0.55, p<0.05 and r=0.61, p<0.01). A positive and significant correlation was also observed between product innovation versus marketing performance (r=0.74, p<0.01), and innovation culture versus marketing innovation (r=0.68, p<0.01). For the Tanzanian SMEs (Table 2: panel b), the relationships between innovation culture and marketing innovation versus product innovation were positive but not significant. Similarly, the relationship between marketing innovations versus marketing performance was positive but not significant. Again, the relationship between product innovations versus marketing performance was not significant. Lastly, the relationship between innovative culture versus marketing performance was positive and not significant (r=0.37, p<0.05).

Variables	Mean	Std. Dev.	IC	мі	PI	MP				
Panel a (Chinese SMEs)										
IC	3.74	0.62	1							
МІ	3.51	0.47	0.68b	1						
PI	3.32	0.41	0.62b	0.69b	1					
MP	3.64	0.51	0.55c	0.61b	0.74b	1				
Panel b (Tanzanian SMEs)										

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IC	2.86	0.91	1						
МІ	1.26	0.88	0.37	1					
PI	2.97	0.89	0.32	0.27	1				
MP	3.14	1.27	0.21	0.04	0.16	1			
^a p<0.001, ^b p<0.01, ^c p<0.05									

Table 2: Descriptive statistics and correlations among variables. The IC, MI, PI, and MP represent innovation culture, marketing innovation, product innovation, and marketing performance, respectively.

The results obtained of the structural model for the Chinese and Tanzanian SMEs are presented in Table 3. Considering the Chinese SMEs, innovation culture contributed to the marketing innovation of SMEs positively and significantly. This implies that H_{1a} is supported (i.e., H_{1a}=0.63; t=6.51; p<0.001). Again, innovation culture also affected product innovation of SMEs positively and significantly. This implies that H_{1b} is supported (i.e., H_{1b}=0.51; t=4.37; p<0.001). The marketing innovation also affected product innovation positively and significantly. This implies that H_{2a} is supported (i.e., H_{2a}=0.59; t=7.33;

p<0.001). The relationship marketing innovation and marketing performance was also positive and significant. This implies that H_{2b} is supported (i.e., H_{2b} =0.47; t=6.14; p<0.001). There was also a positive and significant relationship between product innovation and marketing performance. This implies that H_3 is supported (i.e., H_3 =0.39; t=5.11; p<0.001). For the Tanzanian SMEs, the innovation culture did not enhance marketing innovation of the SMEs positively and significantly. This implies that H_{1a} was not supported. Similarly, the hypotheses H_{1b} , H_{2a} , H_{2b} and H_3 were not supported.

1	2	3 (Hypothesis)			4 (Estimate)		5 (p coefficient)		6 (t-ratio)	
Ex. C	End. C		Chines SMEs	Tanzania	Chines SMEs	Tanzania	Chines SMEs	Tanzania	Chines SMEs	Tanzania
				SMEs		SMEs		SMEs		SMEs
IC	М	H _{1a}	~	x	0.63		а		6.51	
IC	PI	H _{1b}	~	x	0.51		а		4.37	
МІ	PI	H _{2a}	~	x	0.59		а		7.33	
МІ	MP	H _{2b}	~	x	0.47		а		6.14	
PI	MP	H3	~	x	0.39		а		5.11	
^a p<0.001, ^b p<0.01, ^c p<0.05										

Table 3: The structural model outcome. The IC, MI, PI, and MP represent innovation culture, marketing innovation, product innovation, and marketing performance, respectively. The Ex. C and End. C represents exogenous constructs and endogenous construct, respectively.

Discussion

Theoretical implication

The Terziovski's model applied in this study provided a framework, which allows the evaluation of the performance of Chinese and Tanzanian SMEs in Tanzania based on the proposed hypotheses. Based on this, the empirical context of how innovation can promote the market performance of SME market was evaluated. We also looked at the various factors that supported and/or influences the innovative capacity of Chines and Tanzanian SMEs in Tanzania. It is accepted that for SMEs to be successful in a competitive marketing environment, they must have high innovation culture. This is because without being innovative culturally, the marketing strategies and products innovation will be strongly affected. The Chinese SMEs operating in Tanzania all had strong innovative culture, and hence become more innovative in their product and performed excellently in the market. This implies that innovation culture was the precursor for their marketing and product innovation (H_{1a} and H_{1b}). Unlike the Chinese SMEs operating

in Tanzania, the indigenous SMEs owned by the Tanzanian nationals had poor innovative culture compared to their Chinese counterparts and the marketing innovation of the indigenous Tanzanian SMEs were not supported by their innovative ability. Because of the innovative culture of Chinese SMEs, which resulted in their product innovation performance, customers were more satisfied by their products compared to the market product of SMEs owned and operated by Tanzania nationals. Studies have shown that marketing innovation enhances market performance [49], SMEs performances [46], and business performance [50]. It is suggested that the sales of new products are successful when the associated development and marketing activities are excellent [51]. As previously mentioned, the marketing innovation strategy of the Chinese SMEs had a significant and positive relationship with both product innovation and market performance (H_{2a} and H_{2b}), compared to Tanzanian SMEs. Several studies have also shown that product innovation is critical to the development of new products, process efficiency, and sustained competitive advantage, with respect to extensive market share [29,52-55]. This study indicates that product innovation of the Chinese

SMEs had a significant and positive relationship with market performance (H_3), compared to Tanzania SMEs. This reveal that innovation culture and marketing innovation for Chinese SMEs in Tanzania had a positive relationship with product innovation, implying that innovation culture of the Chinese SMEs was a major determinant of successful business practices and good market performance in Tanzania compared to the indigenous Tanzanian SMEs owned and operated by Tanzania nationals [56].

Supporting and constraints factors for Chinese SMEs in Tanzania

During this study, most of the Chinese SMEs managers and R&D managers, which were interviewed possessed strong entrepreneurial spirit and powerful work ethics, and always ready to take business risk compared to most of the Tanzanian SMEs. For example, the Chinese entrepreneurs were always ready to go into business areas which has low profit margins and weak supply chains with the believe that they will gradually expand their businesses into leading positions. This was further confirmed by most of the Tanzanian entrepreneurs. Most of the Chinese entrepreneurs as at the time of this study were strategically planning to consolidate their positions in the existing markets and increase their investment with the idea of expanding into new markets. One of the factors that increased the successes of Chinese SMEs in Tanzania was competitiveness among their SMEs rather than competing with the SMEs owned by Tanzania nationals. This was because they were able to do better than their Tanzanian counterparts by producing most of the products normally imported by their Tanzanian SMEs counterparts and sell at lower cost. This attracted a wider market. Most constraints experienced by the Chinese SMEs in Tanzania during this study were customs and trade regulations, poor electricity supply, poor transportation system, high inflation and exchange rate, language barrier, lack of skills in the labour force, and land access. Others were business licensing and operational permits, and to a lesser extent, corruption and quality of legal system.

Factors affecting the innovative capacity and market performance of Tanzania SMEs

We were able to obtain little information from the Tanzanian entrepreneurs during this study concerning most of the factors affecting their innovative capacity and market performance. These factors were both internal and external. The external factors were related to the characteristics of the service sectors and their policies, while the internal factors were related to the possibilities that are offered by the SME's environment of which, the entrepreneurs may consider. The internal factors were somewhat the most important determinants of their innovative activity. These were related to lack of qualified personnel in terms of possessing strong leadership, which also reflected on their level of education. The weaker managerial and planning skills of the managers/owners of SMEs owned by Tanzania nationals, owing to their lack formal education or appropriate qualifications, may have made them to focus mainly on short-term results rather than focusing on the long-term strategic goals that would create a balance and stable development of their business. While strong financial stability may have boosted Chinese SMEs, poor financial access and stability in obtaining a service brought about a disadvantage for the Tanzanian SMEs. This is because the ability of Tanzanian SMEs to offer after-sales service, carry out delivery service, and/or hire highly skilled workers were strongly affected by their inability to have access to adequate capital, as well as financial stability. There were limited

information on current technology and market possibility, lack of government support, and uncertain demand for innovative goods and services. Despite that most of the Tanzanian SMEs owners were not highly skilled technologically, there were some sort of weak linkages between the Chinese SMEs in Tanzania and SMEs operated and owned by Tanzania nationals. This affected the exchange of technology and business ideas between sets of SMEs. Another major constraint was based on language and cultural differences.

Managerial implications

This study provided some information for entrepreneurs based on the importance of innovation culture on marketing and product innovations, which are vital for high market performance. Generally, we suggest that SMEs should develop the culture of innovation in their business in order to achieve a competitive advantage over other SMEs. Imperatively, marketing innovation should be considered important when SMEs desires to create new and outstanding products. This will also enable them perform well in the emerging market. Managers of SMEs should improve their products, which could be achieved through investing in production techniques, as well as introduction of innovative marketing programs within their firms. Managers of SMEs should be ready to take risk in their business if they must be able to stay competitive with high market performance. Managers should create common ground for technological transfer, in order to promote their product innovation. As an example, a lack of mutual information led to high uncertainties between the Chinese SMEs in Tanzania and SMEs owned and operated by Tanzania national. We suggest the need for managers of Tanzanian SMEs to consider both external and internal innovation sources in order to improve their innovation performance to support, and develop their inimitable resources and capabilities. Managers of Tanzanian SMEs should take an integrative perspective in decisions making by adopting and developing innovation resources and capabilities for the firm's specific contexts. In addition, embedding an innovation culture in the organizational structure can support a higher level of marketing and product innovation. We suggest that managers should guide the behaviors of their employee and conduct so that they can effectively integrate their ideas to foster an excellent and competitive market performance. we suggest that public policies should be in place to promote innovations of SMEs in Tanzania and also for the overcoming of the barriers innovation. Such policies should create ground for mutual relationship between the Chinese SMEs in Tanzania and Tanzanian SMEs owned by the Tanzanian nationals for technological transfer, the acquisition of new entrepreneurial skills, and encourage their development. This is quite important because most of the businesses in Tanzania consist mostly of micro, small and medium enterprises having limited resources and low qualification standard of human resources, both of which limit innovation performance. Lastly, we suggest that the public policy development should be based on designing a set of instruments and funding incentives that favor innovation activities aimed at the market performance of the SMEs

Conclusion

This study compared the performance of SMEs owned and managed by Chinese nationals and those owned and managed by Tanzania national both operating in Tanzania. Innovation culture was an independent factor while marketing innovation, product innovation and marketing performance were the dependent variables. The Chinese SMEs operating in Tanzania all had strong innovation culture, and were more innovative in their product and performed excellently in the market than the SMEs owned and managed by the Tanzania nationals. Because of the innovative culture of Chinese SMEs, which resulted in their product innovation performance, customers were more satisfied with their products compared to the market products of SMEs owned and operated by Tanzania nationals. The Chinese SMEs managers and R&D managers, which were interviewed possessed strong entrepreneurial spirit and powerful work ethics, and always ready to take business risk compared to most of the Tanzanian SMEs, and were strategically planning to consolidate their positions in the existing markets and increase their investment with the idea of expanding into new markets. However, most constraints experienced by the Chinese SMEs in Tanzania during this study were customs and trade regulations, poor electricity supply, poor transportation system, high inflation and exchange rate, language barrier, lack of skills in the labour force, and land access. Factors such as lack of qualified personnel in terms of possessing strong leadership, which also reflected on their level of education, affected the innovative ability of SMEs owned and managed by Tanzania nationals. While strong financial stability may have boosted Chinese SMEs, poor financial access and stability in obtaining a service brought about a disadvantage for the Tanzanian SMEs. There were limited information on current technology and market possibility, lack of government support, and uncertain demand for innovative goods and services. Despite that most of the Tanzanian SMEs owners were not highly skilled technologically, there were some sort of weak linkages between the Chinese SMEs in Tanzania and SMEs operated and owned by Tanzania nationals. This affected the exchange of technology and business ideas between sets of SMEs.

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