

# New Service Development and Innovation for Tanzanian Tourism and Hospitality Entrepreneurs' Competitiveness

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## **Abstract**

*The timing and launching of new services is assumed to strongly support satisfied tourists and in turn generate positive outcomes. Tourists are more than ever knowledgeable about what services they expect. This paper builds upon the notion that tourism entrepreneurs in Tanzania offer both unique and less unique services which reflect their performance. Therefore, the study aimed at providing a systematic analysis of how new product development, innovativeness, environmental munificence, and performance variables are related. A quantitative research design was employed to achieve the objective. A sample of 111 entrepreneurs from Dar es Salaam, Tanzania, was asked to fill out a survey. These entrepreneurs were purposively sampled and measures met acceptable levels of validity and reliability. A regression analysis presented interesting findings. The findings show a strong negative effect of new innovative offerings (i.e., new product development), while processes refining outcomes (i.e., innovativeness) have a positive relationship towards performance. Our results further indicated that the commercial ideas captured in munificence mediate (i.e., lower) negative effects of new product innovations as well as the positive effects of innovativeness. Timing is thus better if recognizing characteristics of the market and particularly if the market is known as a growing segment. New services can thus not be offered in isolation but*

*through the means of market responsiveness. The study offers unique insights into new product development in Tanzania.*

**Key words:** new service design, innovativeness, environmental munificence, performance, entrepreneur, tourism and hospitality

## **Introduction**

In the tourism industry, emphasis on doing the right things at the right moment is assumed to strongly support satisfied tourists and in turn generate positive outcomes. Tourists also know more than ever what services they expect. It is also known that tourist hotels act accordingly to satisfy known expected needs, slowly adapting new offerings to satisfy tourists even more. At the same time, a vast amount of the tourism literature emphasizes that new offerings, testing unknown, so-called unique services, engender high satisfaction and eventually reflect positive outcomes for the tourism company. Tanzania is an established tourism destination with many known services but also offering a rich variety of relatively untested innovative services.

Service is defined as an activity or series of activities of more or less intangible nature that usually, but not necessarily, takes place in interactions between the customer and service employees and/or physical resources and/or systems of the service provider that are offered as solutions for customer problems (Grönroos, 1990). Kotler (1994) defines service as any act or performance that one party can offer to another that is basically intangible and does not result in the ownership of anything. Here, consumers (usually) pay in advance for something that they hope to receive, meaning that services are to a large extent based on trust. For instance, tourists expect that their

prepaid tickets will actually give them access to the plane, and if for any reason something goes wrong they expect that the insurance company will compensate them for the loss. According to Fisk *et al.* (1993), services are better understood by their four main criteria, commonly referred to as the "IHIP criteria," which have been used to distinguish services from goods. These criteria are intangibility, heterogeneity, inseparability, and perishability. A clear definition of services promotes understanding of service innovation (Morrar, 2014).

Innovation is a concept widely used in organizational practice (Ittner *et al.*, 2003; Beyene *et al.*, 2016). Innovation is also likely to be a strategic means by which entrepreneurs deal with changes in the environment, including risks related to doing business in the African context (Sholihin and Pike, 2009) particularly in Tanzania. Service innovation can be defined as an offering not previously available to a firm's customers resulting from additions to or changes in the service concept (Menor *et al.*, 2002). Van der Aa and Elfring (2002) define service innovation as including ideas, practices, or objects which are new to the firm and to the relevant environment, that is to say, to the reference groups of that innovator. Awareness of the significance of service innovation as a means for economic growth is a recent phenomenon (Morrar, 2014). Innovation in services has not been treated as a phenomenon worthy of study for long; only in recent years have researchers realized that innovation in service firms does exist and should be studied (Jong *et al.*, 2003). The innovation literature has concentrated on the manufacturing sector, technological product development, and process innovation, and thus, innovation in services was addressed from a manufacturing perspective (Morrar, 2014). Gallouj and Savona (2009) have also reported that the corresponding literature "assimilated services

within the consolidated framework used for manufacturing sectors and manufactured products.” The risk of such a bias towards manufacturing is the underestimation of innovation in services and its effects, because innovation in services encompasses invisible or hidden innovations that are not captured by the traditional indicators of innovation in the manufacturing sector.

In tourism, service innovation directly assists tourists in meeting their needs and desires. It can be understood both as a process of development within a firm and as the resulting configuration of new activities (both by the service provider and by tourists, suppliers, and other actors) within a specific context. Innovation in the tourism industry is an important topic, not only for entrepreneurs but also for policy makers. Despite their economic importance, services have received relatively little attention in innovation research (Herrmann, 2011). Also, the environment in which the tourism industry operates keep on changing. More knowledge and control during the processes in which innovativeness take place may also increase its influence on performance (Henri, 2006).

In addition, while most studies have focused on innovativeness and its relationship to performance from an employee perspective (Subramaniam and Youndt, 2005), few have focused on the role of entrepreneurs (e.g., De Cleyn and Braet, 2012; Mlozi *et al.*, 2017). Also, international standards mostly stress reporting commensurable controls (Deegan and Unerman, 2011) rather than controls that are contextually dependent. Yet the perspectives of entrepreneurs are quite different from those focusing on employees and are partially ignored within accounting and management controls (Henri, 2006). This paper assumes that tourism entrepreneurs in Tanzania offer both unique and less unique tested services, which also reflect their

performance. Overtime, the tourism industry has failed to thrive due to a noncompetitive environment. This is predominantly true for developing countries, where many service firms are still in their infancy, thus lacking the ability to exploit competencies, knowledge, and technologies. Innovation in service firms is also a risky task. But firms have to embrace risks in order to succeed (Luan *et al.*, 2016). Also, many innovations fail, at a high cost. Typically, innovativeness has low correspondence to performance (Arnold and Artz, 2015), and the failure rate is estimated to be as much as 75% (Cooper *et al.*, 2004). Another estimate is that more than 66% of innovations fail at an average cost of USD15 million (Girardi *et al.*, 2005). More knowledge on innovations and tasks associated with innovation will increase the likelihood that activities are developed successfully, particularly in the service industry.

Typically, incompetence of firms and unstructured destinations are more likely to lead to failure. On the other hand, innovative firms are willing to devote the necessary efforts related to new service development (NSD) and resources to new market opportunities, even though these efforts might be risky and result in costly failures (Naman and Slevin, 1993). Innovation and NSD for firms are a matter of a strategic advantage to engineer performance (Montagna, 2011). As a result, knowing how these variables are related is necessary, together with identifying their critical success factors (Huang and Lai, 2012). Some authors have focused their attention on critical success factors (García-Alcaraz *et al.*, 2016; Barczak and Kahn, 2012; Liu and Chen, 2013). In this changing business environment, little research has been conducted on how innovation is related to NSD as a means of improving performance for tourism firms. Tanzania has experienced years of strong economic growth in the tourism industry, but tourism entrepreneurs are currently facing difficult

times due to a noncompetitive environment. Innovation and NSD are largely accepted as a result of achieving competitive advantage, strategic growth, and long-term sustainability (Hall and Williams, 2008). Nevertheless, evidence suggests that tourism firms are deficient in the skills needed for service development, generally preferring to imitate and adapt existing services rather than develop wholly new ones (Peters and Pikkemaat, 2005). The low levels of creativity and innovation in the sector have been attributed to a lack of systematic processes and knowledge of how new goods and services should be developed (Dwyer and Edwards, 2008). Therefore, this study aims at providing a systematic analysis of how new product development, innovativeness, environmental munificence, and performance variables are related by using a sample of entrepreneurs. The paper fills a knowledge gap by providing empirical support to the following research question. How is the tourism industry to tackle the positive and negative sides of innovativeness and performance relationships?

The next section presents the theoretical foundation. This is followed by the conceptual framework and hypothesis development. The following section presents a discussion of the research methods, including data collection techniques and operationalization of measurements. Results from regression analysis are then reported. Results from this work are presented and the findings are discussed. The last section presents the conclusions, including limitations, implications and recommendations for future research.

### **Theoretical Foundation and Review of Literature**

Business logic refers to concentrating on nurturing the roots for improved long-term trust, governance, and to sustain a market (Robinson *et al.*, 2006). Such activities entail innovativeness and

nurture old ideas by replacing these with new ideas (Mlozi *et al.*, 2017) in business competitive environments. To deal with competitive environments, entrepreneurs must find ways to stay ahead of their competitors. According to Drucker (1994), innovation may be the key to business prosperity and survival. Innovation is crucial in the contemporary economy, being far more important than land, capital, or labor (Drucker, 1994). Innovation seems to be the only way that a firm can convert change into opportunities and thus succeed enormously (Huse, 2005). Yet, evidently such nurturing also means entrepreneurs cope with uncertainty (MacLean, 2010) and is contingent on context (Hammad *et al.*, 2013). Consequently, entrepreneurs seek new opportunities in different environments and identify interest in new products and their relationship to performance (Mlozi *et al.*, 2017; Kristjanson *et al.*, 2012).

Many kinds of innovations exist, encompassing technological innovations (Nelson and Winter, 1982; Liu *et al.*, 2015), organizational innovations (Caves, 1980), or the creation of new bundles of resources (Penrose, 1959). Service innovative firms may differ in their innovation capabilities and abilities. Service innovation ability is determined by organizational and procedural capabilities that condition the innovation process. Firms may be specialized in particular technologies or related expertise, leading them to pursue different innovation activities and/or strategies" (Tseng *et al.*, 2009).

### **New Service Development and Performance**

New product development (NPD) is vital in different organizations for shortening a product's time to market and for improving the product's quality. Traditionally, NPD has been viewed as a sequence of separable stages (e.g., design, production, and marketing) driven by different factors (i.e., technology and customers). There is an

abundant tradition of empirical research on NPD, where the concentration is on physical product attributes (e.g., features and usability) and efficient and effective innovation processes (Menor, 2000; Menor and Roth, 2008). According to Dalton *et al.* (2009). The literature on the subject of NPD is rich with models trying to summarize the process of product development in a simple structure, yet it was the seminal linear process model of Booz, Allen and Hamilton (BAH) (1968, 1982) that first delineated the process as a set of sequential steps and activities. The BAH model has become the foundation of all subsequent models and is still relevant today. The model identifies seven key stages of NPD that include development strategy, idea generation, screening and evaluation, business analysis, prototype development, and testing leading to final stage of new product commercialization.

The BAH model was on the other hand orientated completely towards the development of tangible products, and its shortcomings in guiding NSD stem primarily from the intangible nature of services and the inability of service providers to realistically prototype their ideas. Numerous researchers have noted that empirical insights on NSD are not well developed or advanced (Froehle and Roth, 2007; Menor and Roth, 2008; Menoret *et al.*, 2002; Parker and Brey, 2015; Yoo *et al.*, 2015). As a result, scholars have recognized the significance of, and need for, NSD research that addresses how firms' service offerings and delivery systems remain attuned to the constantly changing marketplace demands and competitive environment (Menor and Roth, 2008). This study addresses NSD in relationship to performance, where performance is defined simply a firm's ability to increase sales, profits, reputation, new customers, and new services, as well as the ability to enter new market segments or new geographical markets. Whereas support for the relationship between



innovativeness and firm performance has been confirmed by many authors (i.e., Mlozi *et al.*, 2017; Awwad *et al.*; 2016; Pesämaa *et al.*, 2013; Tsai and Yang, 2013; Rhee *et al.*, 2010) in the product development literature of many industries, there is little support for this relationship in service development research in the tourism and hospitality industry in Tanzania. Menor and Roth (2008) confirmed the relationship between NSD and performance in banking industry. In particular, their study tested the association between NSD competence and business-level performance. This research supports our theory-driven hypotheses that NSD competence represents an internal expertise that contributes to development performance at the NSD program level (and business level) of retail banks. They found a statistically significant relationship between NSD competence and performance including firm return on assets, which is an indicator of how profitable a firm's assets are in generating revenue. Based on the above theoretical underpinning, this study proposes the following hypothesis.

**H1: New service development has a positive effect on a firm's performance in the hospitality industry**

### **Innovativeness and Performance**

We draw on earlier theory and empirical evidence to support a relationship between innovativeness and firm performance (Arnold and Artz, 2015) in the tourism industry. Cooper (2000) noted that innovativeness is a critical determinant of business performance. Innovativeness is also likely to be a strategic means by which entrepreneurs deal with changes in the environment, including risks that are related to doing business in the African context (Sholihin and Pike, 2009), particularly in Tanzania. In order to respond to the turbulent environment that is coupled with risk, it is vital to fuel

innovativeness, which is critical to achieving a competitive edge and performance (Hult *et al.*, 2004) in the tourism industry. Several authors have confirmed the positive significant relationship between innovativeness and firm performance (i.e., Mlozi, *et al.*, 2017; Akgünetal., 2014; Tsai and Yang 2013; Pesämaa *et al.*, 2013; Rhee *et al.*, 2010). None of these studies were conducted in the African context, nor in the tourism and hospitality industry. In Taiwan, Tseng *et al.* (2008) studied the configuration of innovation and performance in the tourism and hospitality industry, finding support that innovation configuration influences performance. Regardless of the continent and country of a business, the environment is also turbulent as a result of entrepreneurs being faced with a range of uncertainties. Thus, the argument here differs in the sense that entrepreneurs' logic to engineer performance through innovativeness may differ. For that reason, this study proposes the following hypothesis:

**H2: Innovativeness in the hospitality industry positively influence a firm's performance.**

### **The Role of Environment Munificence as a Mediator**

Munificence has been defined differently in different contexts. These terms encompass environmental opportunities (Pesämaa *et al.*, 2013) and environmental munificence (Shou *et al.*, 2013; Li *et al.*, 2012). Differences in environment determine outcomes in performance (Baines and Langfield-Smith, 2003). This researcher argues that these terms are similar by looking at the measurements. Previous studies note that determinants of environmental munificence encompass the following: market capacity (Dess and Beard, 1984); marketing scholars (Park *et al.*, 2002); and rate of market demand change, i.e., market growth or decline (Shou *et al.*, 2013). Pesämaa *et al.* (2013)

state that measures of environmental opportunities encompass: firms having new opportunities based on existing and new products; firms having many opportunities in existing and new markets; and firms operating in a market with great growth potential. Starbuck (1976) defines environmental munificence as the degree to which environmental capacity can support sustained growth. Also, Castrogiovanni (1991) notes that munificence can be seen as the extent of unexploited capacity as well as the growth or decline of this capacity in the environment. Furthermore, environmental opportunities can be considered to be the degree of abundance of opportunities and resources for a strategic business unit in a given environment (Caruana *et al.*, 1999). It reflects the fullness of opportunities available to organizations and is based on the degree to which current products and resource services are exposed to growth opportunities (Pesämaa *et al.*, 2013). Liu *et al.* (2009) argue that environmental munificence can allow the firm to have an opportunity to adjust or balance the learning combinations that improve NSD. Also, it can buffer firms from environmental pressures by generating financial slack.

Those environments that are more munificent give firms more options due to alternative approaches, objectives, and organizational structures that become possible to follow (Mlozi *et al.*, 2017). Also, Pesämaa *et al.* (2013) noted that high-opportunity environments could compensate for lack of or poor coordination of skills across departments in the firms. Even rich environments with their wide availability of resources and ability to secure them to pursue innovations can be met with weak competitive reactions (Caruana *et al.*, 1999). Environment opportunity is thought to have an influence on firm innovativeness (Caruana *et al.*, 2002; Pesämaa *et al.*, 2013; Wiklund and Shepherd, 2003). The assumption here is that firms

operate within external environments that often affect their opportunities for innovativeness and constrain it (Tidd, 2001), and that successful innovations require a proactive concentration on the external environment (Droge *et al.*, 2008: 275). Therefore, this paper argues that low environmental munificence has a negative mediating role on new service innovation and a positive mediating role on innovativeness.

## Research Methodology

### Study Area and Sample

The quantitative research design chosen uses theoretical bases in the development of research questions to be tested. This empirical study was based in Dar es Salaam, Tanzania. Tanzania as a country is extremely dependent on tourism. Dar es Salaam is the largest city of [Tanzania](#) and the largest city in eastern Africa by population, as well as a regionally important economic center. Many people are entrepreneurs in tourism-related activities. A sample of 111 entrepreneurs was asked to fill out a survey. These entrepreneurs were purposively sampled. The demographic factors are presented in Table 1.

**Table 1: Respondent Profile**

Category	Respondents	Percent (%)
<b><i>Gender</i></b>		
Male	59	53.2
Female	52	46.8
<b><i>Education level</i></b>		
Basic education	16	14.4
Tertiary education	54	48.7
Higher education	41	36.9
<b><i>Age</i></b>		
18-40	48	43.2

Age>40	63	56.8
<b><u>Position</u></b>		
Owner of the company	72	64.9
Manager finance department	19	17.1
Manager of R&D	7	.06
Others (decision maker)	13	11.7
<b><u>Size</u></b>		
1-5 employees	84	75.8
6-20 employees	22	19.8
Size > 20 employees	5	.04

**Measurements**

Table 2 shows the means, standard deviations for each item and correlation values among the 13 variables. Table 3 shows that measures have significant loadings within each of the constructs measured. A general rule of thumb is that loadings should be well balanced, exceed 0.50 and have a Cronbach’s alpha ( $\alpha$ ) that exceeds 0.70 (Table 3). For the purposes of dimensionality details for each measure is reported one by one.

The first set of survey questions for new service development (NSD) had three items developed from Im and Workman Jr. (2004). Our measures received strong support (Table 2) as loadings ( $\lambda$ ) ranged from 0.87 to 0.94. Loadings exceed the recommended .500 level (Bagozzi and Yi, 2012). In addition, Cronbach’s alpha (0.90) as indicated in Table 2 also exceeded the recommended .70 (Hair *et al.*, 2010). Reciprocity was measured by three items anchored from -3 to +3 (unimportant to very important):

NSD1: new services

NSD2: increase reputation

NSD3:                    develop                    radical                    offerings

**Table 2: Descriptive Results between Variables**

Var	Mean	Std. Dev.	NSD1	NSD2	NSD3	INN1	INN2	INN3	MUN1	MUN2	MUN3	P1	P2	P3	P4
NSD1	-0.95	2.01													
NSD2	-1.33	1.91	<b>.71**</b>												
NSD3	-1.22	1.85	<b>.70**</b>	<b>.91**</b>											
INN1	1.45	1.99	-.14	-.01	.01										
INN2	1.21	2.23	-.09	-.05	-.01	<b>.69**</b>									
INN3	1.41	1.88	-.11	-.04	-.01	<b>.82**</b>	<b>.78**</b>								
MUN1	2.07	1.55	-.08	-.20*	-.18	<b>.42**</b>	<b>.43**</b>	<b>.39**</b>							
MUN2	1.93	1.48	-.04	-.13	-.14	<b>.41**</b>	<b>.44**</b>	<b>.43**</b>	<b>.80**</b>						
MUN3	2.12	1.48	-.11	-.23*	-.22*	<b>.44**</b>	<b>.40**</b>	<b>.43**</b>	<b>.84**</b>	<b>.69**</b>					
P1	2.24	1.48	-.16	-.22*	-.21*	<b>.42**</b>	<b>.36**</b>	<b>.35**</b>	<b>.70**</b>	<b>.56**</b>	<b>.66**</b>				
P2	2.15	1.50	-.14	-.15	-.16	<b>.31**</b>	<b>.22*</b>	<b>.21*</b>	<b>.54**</b>	<b>.45**</b>	<b>.52**</b>	<b>.78**</b>			
P3	1.97	1.44	-.21*	-.31**	-.28**	<b>.31**</b>	<b>.33**</b>	<b>.31**</b>	<b>.64**</b>	<b>.53**</b>	<b>.67**</b>	<b>.81**</b>	<b>.67**</b>		
P4	2.12	1.61	-.06	-.14	-.10	<b>.23*</b>	<b>.22*</b>	<b>.25**</b>	<b>.51**</b>	<b>.46**</b>	<b>.52**</b>	<b>.72**</b>	<b>.71**</b>	<b>.71**</b>	

\*p<0.05, \*\*p<0.01

The second set of three measures relate to innovativeness. This measure was developed from Calantone *et al.* (2002). Our measures on innovativeness received strong support (Table 2) as loadings ( $\lambda$ ) ranged from 0.85 to 0.92. In addition, Cronbach's alpha ( $\alpha$ ) of 0.91 also exceeded the recommended .70 (Hair *et al.*, 2010). Innovativeness was measured by three items anchored from -3 to +3 (strongly disagree to strongly agree):

INN1: new methods and techniques

INN2: new administrative technology

INN3: introduced new services

The third set of items consists of three measures on environmental munificence. These measures were adapted from Castrogiovanni (1991) and later from Hart and Banbury (1994). Our measures on environmental munificence received strong support (Table 2) as loadings ( $\lambda$ ) ranged from 0.76 to 0.83. In addition, Cronbach's alpha ( $\alpha$ ) of 0.91 also exceeded the recommended .70 (Hair *et al.*, 2010). Munificence was measured by three items anchored from -3 to +3 (strongly disagree to strongly agree):

MUN1: opportunities in existing and new markets

MUN2: new opportunity in existing and markets

MUN3: market with growth potential

**Table 3: Exploratory Factor Analysis**

	NSD	INN	MUN	PER	Cronbach's alpha ( $\alpha$ )
NSD1	.87				$\alpha=.90$
NSD2	.94				
NSD3	.94				
INN1		.88			$\alpha=.91$
INN2		.85			
INN3		.92			
MUN1			.83		$\alpha=.91$
MUN2			.82		
MUN3			.76		
P1				.81	$\alpha=.92$
P2				.87	
P3				.76	
P4				.86	

Loadings of  $<.42$  deleted.  
Extraction method: Principal component.  
Rotation: Varimax.  
Total variance explained: 84.22%

The fourth set in the model consists of three measures of performance. This measure was developed from Caruana *et al.* (2002). Our measures on performance received strong support (Table 3) as loadings ( $\lambda$ ) ranged from 0.76 to 0.86. In addition, Cronbach's alpha ( $\alpha$ ) of 0.92 also exceeded the recommended .70 (Hair *et al.*, 2010). Performance was measured by four items anchored from -3 to +3 (strongly disagree to strongly agree):

P1: increase sales

P2: efficient in commerce

P3: increase profits

P4: new customers



## Research Findings

The results show that there is a strong negative effect of new innovative offerings (i.e., new service development), while processes refining outcomes (i.e., innovativeness) have a positive relationship towards performance (Table 4). Our results further indicate that the commercial ideas captured in munificence mediate (i.e., lower) negative effects of new product innovations as well the positive effects of innovativeness (Table 4).

**Table 4: Regression Model**

	<u>Model 1</u>	<u>Model 2</u>
Relationship	Beta (t-value)	Beta (t-value)
NSD → PER	-.19* (-2.17)	-.10 <sup>N.S</sup> (-1.41)
INN→PER	.35** (3.93)	.03 <sup>N.S</sup> (.349)
MUN→		.65** (7.95)
R	40.6%	68.9%
R <sup>2</sup>	16.5%	47.5%
Adj R2	14.9%	46.0%

## Discussion

The findings of the study showed that there is a strong negative effect of new innovative offerings (i.e., new service development), while processes refining outcomes (i.e., innovativeness) have a positive relationship towards performance. Our results further indicate that the commercial ideas captured in munificence mediate (i.e., lower) the negative effects of new product innovations as well the positive effects of innovativeness. This study shows a positive significant relationship between service innovation and performance. This finding is congruous with earlier studies. For instance, Tseng *et*

*al.*'s (2008) study conducted in the Taiwan service industry found support that innovation configuration influences performance. Tseng and colleagues argued that innovation configuration is crucial to hotel performance. Also, in the banking industry which is another service industry, Fong and Lo (2016) found that innovation influenced performance. Therefore, an attractive investment environment can presumably provide the potential for existing entrepreneurs to adopt different ways to innovate and implement innovation that can engineer growth. Also, in other industries (i.e., manufacturing) several authors have confirmed a relationship between innovativeness and performance (i.e., Mlozi *et al.*, 2017; Tsai and Yang, 2013; Pesämaa *et al.*, 2013; Rhee *et al.*, 2010; Hoq and Ha, 2009; Hult *et al.*, 2004).

An additional finding was the negative relationship between new service development and performance. This result is similar to earlier studies such as that of Menor and Roth (2008), who confirmed the relationship between NSD and performance in banking industry. In particular, their study tested the association between NSD competence and business-level performance. Another study by Awwad *et al.* (2016) on new product development performance success measured use to assess the success of new products; they found that NPD success affects the performance of NPD. Although the study in Awwad *et al.* (2016) was done in the manufacturing sector, the implications for practitioners are similar to the current study. NSD competence contributes to performance that assists entrepreneurs in staying ahead of their competitors. Environmental munificence strengthens (mediates) the effect of new service development and performance. This implies that entrepreneurs find substantial new opportunities that could be converted by environmental munificence into NSD in order to support

performance. That is to say an impact of new service development on performance of firms is reflected through other factors such as conducive environment. This is one of the unique contributions of this study.

### **Conclusion and Implications**

Tourism in Tanzania offers a wide range of unique goods and services. Most of the goods and services are well developed, offering a unique experience in environments with scenic beauty. Yet, many avoid traveling to Tanzania and many services are not developed to their full extent commercially. This article argues that innovation in the service industry is a significant factor in firms' ability to sustain competitive advantages in the vibrant environment of Africa's developing economies such as Tanzania.

Africa is usually considered a high-risk market (Mlozi *et al.*, 2017), yet conceptually, innovativeness involves uncertainty that precedes risk. This argument is also true for entrepreneurs doing business in the tourism and hospitality industry in Tanzania. However, it's known that when uncertainty is high there is a stronger correspondence between innovativeness and performance. As uncertainty is high in Tanzania, this paper argues that it's important to find correspondence between innovativeness and performance. This argument is developed on the basis that entrepreneurs typically cope with uncertainty by doing business in munificent markets. Opportunities, such as numerous incoming tourists from China, may arise, but it is important to gain the knowledge of how to serve these tourists in the best possible way. This article discusses innovativeness and its importance as a first step to introduce a vital discussion point with practitioners, particularly entrepreneurs. We must recognize the role of innovativeness and how environmental munificence strengthens the effects of new service development on

performance, and this is particularly applicable to entrepreneurs in Tanzania. This paper assumes that entrepreneurs look for a success, if not in the short run, then for sure in the long run. Innovative and new service development outcomes and their relationship towards performance are assumed to further reflect such success. As a result, the role of munificence is to reflect the richness and the extent to which markets are demanding and promising for entrepreneurs to operate successfully.

More knowledge on service innovativeness could justify and target better controls and variables. This study's theoretical contribution is its focus on unique offerings (services) in tourism and hospitality, thus closing the gap between innovativeness and performance. Practically, the findings have some implications for managers, in that the best way to encourage innovativeness so as to stay ahead of competitors in other hospitality firms is through new service development and environmental munificence. Also this study increases managers' skills and abilities to innovate new services as a result to perform better (Awwad *et al.*, 2016). Also, the findings provide an explanation to entrepreneurs that doing business in Tanzania may call for different methods depending on how one goes about innovation to perform better. Finally, the study could assist policy makers to modify some entrepreneurial regulations and guidelines and, as a result, attract more entrepreneurs at the local and regional levels.

There are a number of limitations that have to be considered concerning the findings of this study. This author was able to find only one study that tested innovation and performance in the service-oriented hospitality industry, but other studies testing innovativeness and performance in the hospitality industry may

exist. Therefore, in future, this author recommends conducting more studies on the hospitality industry as a benchmark. This study did not analyze data for different types of tourism sectors (i.e., accommodation facilities, hotels, travel agents, tour operators), experiences of selected firms, nor size of the firm for more specific and stronger findings. Future studies should consider analyzing data categorically (size of the firm, type of the firm) to provide robust conclusions. Finally, the present study evaluates firms in the hospitality industry in Tanzania and does not include firms from other sectors in other industries. Therefore, the empirical result may limit generalizability of the findings to other industries. Future researchers should consider this framework in other service industries to compare results and enrich knowledge of the studied variables.

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