INNOVATION STRATEGIES INFLUENCE ON ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF TELKOM KENYA LIMITED

BY

MBALMR371216

A Dissertation Submitted to the Faculty of Business, Computer Science and Communication Studies in Partial Fulfillment of the Requirement for the Award of a Master of Business Administration (Strategic Management and Leadership) Degree of
St. Paul's University.

May, 2018

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St. Paul's University.

Supervisors:

Dr. Julius Kahuthia
Dr. Jane Gakenia

May, 2018

DECLARATION

This Dissertation is a product of my own work and is not the result of anything done in collaboration. It has not been previously presented to any other institution.

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DEDICATION

This dissertation is dedicated to my entire family who has been very supportive during my learning process and especially during the writing of my project. I am forever grateful for your patience, encouragement and for your belief in me.

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First I would wish to thank God for giving me the courage and will power during my study and research on this dissertation. I also thank my family, with special thanks to my wife for her patience and support, may you be motivated to reach your dreams.

I also wish to thank my supervisors Dr. Julius Kahuthia and Dr. Jane Gakenia for their outstanding support and guidance throughout this learning process not forgetting my classmates for their support system through this research dissertation writing.

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ABBREVIATIONS AND ACRONYMS

AHP - Analytic Hierarchy Process

BSC - Balanced Scorecard

MBO - Management by Objectives

KPIS - Key Performance Indicators

Telkom - Telkom Kenya Limited.

DEFINITIONS OF TERMS

Balance Score Card is a system for strategic planning and management used by organizations to communicate what they intend to accomplish, tasks alignment, projects prioritization and for measuring and monitoring growth based on the strategic goals.(Scaramussa, Reisdorfer, & Ribeiro, 2010)

Firm Performanceto indicators which can be financial or non-financial which are used to show degree of achievements of stated goals and their results(Karlsson & Tavassoli, 2015).

Innovation is the act that bestows resources with a novice unique ability to create wealth(Drucker, 2014).

Firm refers to a Business Organization that is in the business of selling goods and services to make profit(Karlsson & Tavassoli, 2015).

Total Quality Management is a management system that entails that every staff member of an organization must commit to highest standards at work in all aspects of a firm's operations(Sallis, 2014).

ABSTRACT

This study sought to investigate the influences of innovation strategies on organizational performance, a case study of Telkom Kenya Limited. The specific objectives were to evaluate the process innovations, product innovations, marketing innovations and organizational innovations strategies influence on firm performance. A descriptive case study design was used to establish the influence of the independent variables (innovation strategies) on the dependent variable (performance) of Telkom Kenya Ltd. This study was based on four theories which are open innovation theory, Schumpeter creative destruction theory, disruptive innovation theory and the resource based view theory. Data for this study was collected using semi structured questionnaires. The study was a census of all the 40 employees of Telkom Kenya Ltd headquarters. The researcher used Statistical package for social scientists (SPSS) for data analysis. To ensure validity of this research the researcher pre-tested the questionnaires for this study with a few members of staff while reliability was ensured by subjecting the questionnaires to experts in strategy and innovation. This study used descriptive research design to describe the variables with most of the responses being quantitative data which was analyzed through Statistical package for social scientists (SPSS) and qualitative data was analyzed and classified into themes. These findings were presented in tables and figures for clarity. The study established that product innovation, process innovation, marketing innovation and administrative innovation strategies have a positive effect on organizational performance as indicated by the respondents. The study recommends the management to consider implementing innovation activities like reduction of costs, offer on new products, rebranding, use of promotion activities and product improvement as they influence performance to a great extent. The management needs to focus on administrative innovations in order to fully equip employees with skills thus giving them ability to grow. Some of the administrative innovations this study recommends for implementation areinnovations hub development, feedback platforms, automation of processes and culture change initiatives.The findings of the study have shown that process innovation has the highest positive influence on organizational performance. Process innovations assist companies to improve on quality of their products and services through better use of technologies, equipment's. Operational efficiency, effectiveness brand image improvement, sales growth and market rank performance are all as a result of process innovation as they enable the organization of firm to launch more enhanced products and services at a low cost which met the needs of the customer.This study recommends that management of organizations need to seriously consider the investigated innovation strategies and implement them in their organizations if they are pursuing an improvement in the levels of their organizational performance.

CHAPTER ONE

INTRODUCTION

Thischapter comprises of background of the study, problem statement and objectives of the study, research questions, scope and limitations of the study

1.1 Background to the Study

To innovate is to make changes in something established, especially by introducing new methods, ideas or products(Lam, 2004). Thus defined Innovation is the process of translating an idea or invention into a good service that creates value for customers which allows an organization to a competitive advantage. As an innovation, an idea has to be replicable at an economical cost whereas satisfying a need. The process involves effective application of information, ideas and the existing initiative in creating more from resources available(Naqshbandi & Garib Singh, 2015).Organizations undertake innovation in response to changes in technological and managerial knowledge, industry competition, constituents expectation or top executives aspiration to gain distinctive competencies and improve the level of performance(Damanpour, Walker, & Avellaneda, 2009). Innovation is the key to providing an organization a competitive edge, a well-defined innovation process exists and creates conditions that supports a climate for innovation as an organization builds capacity so that employees possess the skills and behaviors essential for innovation.Management innovation breakthrough can give a huge advantage; as compared to product and technology innovation to a company that innovates thus producing a shift in the leadership of its industry. A management innovation will be successful if it meets some conditions which are: innovation should be interestingly new that poses a challenge to the management orthodoxies, Systemic in that in entails a range of processes and way of doing things and it should be part of a progressive invention program(Tidd, Bessant, & Pavitt, 2005).

General Electric worked and excelled in Thomas Edison’s innovation which is the industrial research laboratory by bringing a management process to the unmanaged process of scientific discovery which led to General Electric winning more patents than any other company in America 50 years later(Hamel, 2006). Visa success which is the world near virtual company is attributed to organizational innovation as when its founders formed a consortium they laid

the groundwork for one of the most popular brands globally(Hamel, 2006). Linux which is a computer operating system is a great example of management innovation. Its development such as general public license, open source development and online collaborating tools has led to a system that is highly effective for global coordination of its developers.

Innovation is the act that endows resources with a new capacity to create wealth(Drucker, 2014). For any institution to succeed and maintain its stability in this volatile decade, it must be ready to innovate and change its orthodoxies.Innovation can be divided into four areas which are;Product innovation entails introductions of goods or service that are new or improved,Process innovation entails introduction of new or significantly improved method of delivery,Marketing innovation entails implementation of new marketing techniques with significant changes in production design or packaging, product promotion or pricing, Organizational innovations entail creation or alteration of business practices, workplace organization or external relations as defined Bogota and Oslo(De Mel, McKenzie, & Woodruff, 2009).

Innovation is common in risk taking organizations that need to create products that are new and unique to the existing and new markets (De Mel *et al.*, 2009). Systematic innovation is integral to the management process of any organization.Management innovation is defined as the marked departure from traditional management principles, processed and practices that significantly alters the way work of management is performed, basically changing how managers do what they do which is setting goals and laying out specific plans, motivating, controlling, allocating resources, nurturing and developing talent and understanding the demands of the market (Hamel, 2006).Strategy is the creation of a unique and valuable position involving a different set of activities(Porter, 1996).According to (Ahlstrand, Lampel, & Mintzberg, 2001) strategy can be defines in reference to five "P's" which are *Plan* which is about direction or a guide of action into the future, a path to get from here to there ,*Pattern* which means consistency in behavior over time. *Position* which is the locating of particular in particular markets, *Perspective* which is about how a business looks at things in its environment and *Ploy* this is about a specific action intended to outwit a competitor.Innovations can be classified into technical and administrative as each type of innovation has its own attributes that influence the rate of adoption. From various researches they are five main areas that determine the innovativeness of an organization; Product

innovation, market innovation ,process innovation, behavioral innovation and strategic innovation(Wang & Ahmed, 2004). According to (Tidd *et al.,* 2005) they are four broad categories normally known as the 4Ps) which are product innovation which is about changes in the products and services an organization offers, Process innovation concerned with changes in the ways products and services they are created and delivered, Position innovation which is about changes in the context in which products or services are introduced and lastly paradigm innovation which is about changes in the underlying mental models which frame what an organization does.Organizations innovate to gain more firstly and take advantage that equips them to deliver superior performance(Roberts & Amit, 2003).

Organizational performance is the ultimate dependent variable for researchers in the area of management and measuring the performance is essential in allowing managers evaluate specific actions of their firms in the competitive market to equip the with capabilities to evolve and perform over time (Richard, Devinney, Yip, & Johnson, 2009).The performance of the telecommunications sector depends on its competitive position, management strategies, innovation among other market challenges. According to the 2015 global telecommunications study,the telecommunications industry is changing at an ultra-fast speed faced with disruptions from every side and it's important for them to take advantage of their pivotal resources to change the society. In the last 10 years customers are data driven with smartphones that consume more bandwidth. This has caused the telecommunication players to expand their services, review their prices in a bid to meet the growing demand while still under the pressure to improve their networks. More than 68% of telecommunication's operators consider the customer experience to be their strategic priority which then translates to customer loyalty which means more business for them.

In Africa the telecommunication sector is growing in bounds with most governments privatizing the stated owned enterprises. This has led to opening of new businesses with Africa being among the fastest growing market in mobile devices.In East Africa telecommunication's sector is growing rapidly with the East Africa Community has enabled a reduction of roaming charges with the implementation of a "roam like home" policy. Different factors are influencing the growth in the telecommunication industry which includes technology advancements, high market competition, affordable services, demand for high speed internet, and embracement of e-portals among others. Internet or Things(IoT) is

gaining popularity among other advancements like need for 4G and 5G cellular networks, cloud computing are some of the main reasons for global telecommunications growth with the ability of smart devices being easily deployed to any part of the globe.

In Kenya the telecommunications industry has enjoyed a continuous growth. According to the Annual report of the Communications Authority for the Year 2016-2017 it was noted that mobile subscriptions increased due to an increase in coverage, network speeds and more affordable costs. The expansion of the ICT industry contribution to Kenya's Gross Domestic Product has been attributed to the growth of the telecommunication sector made possible by increased uptake of mobile platforms. Mobile telephony services is a major component of Kenya a telecommunication services as they provide services such as mobile banking, mobile broadband and other financial services. Internet subscriptions though mobile phones is dominating the fixed access to internet mode. The increase of internet services has contributed to the rise of people connected to internet to 40.5 million in 2017 from 37.7 million representing 7.4 percent growth. Breakthroughs in technology are important factors in future growth and development in the telecommunications sector but the success is pegged on how best a firm can leverage the industrial revolution while social challenges.

According to the Communications report 2016-2017 the number of fixed connections declined by 11.6 percent with most clients of the major fixed voice subscribers as Wananchi group Kenya Limited (44,146); Telkom Kenya Limited (26,821) Mobile Telephony Network (438) and Safaricom Limited (340).The decline was explained to be due to technological changes that made the mobile voice services more convenient. In the report 2016-2017 Kenya had a total number of six mobile telephony operators which are; Safaricom Limited, Airtel Network Kenya Limited, Telkom Kenya Limited, Finserve Kenya Limited (Equitel),Zioncell Kenya Limited (Sema Mobile) and Mobile pay Limited. A total number of 40,259,476 subscriptions were active shared among the companies as follows; Safaricom (29,228,896), Airtel (6,179,182), Orange ((now Telkom) 2,898,511), Equitel (1,864,838), MobilePay(87,786) and Sema(263)

1.2 Telkom Kenya Limited

Telkom Kenya was established as a telecommunications operator in April 1999 and is owned partially by Helios Investment partners and the Government of Kenya. Previously Telkom was part of Kenya Posts and Telecommunications corporation (KPTC) which was the only provider for post and telecommunication services until in 2007 when KPTC was split to Telkom Kenya, Postal corporation of Kenya (POSTA) and the Communications commission of Kenya (CCK).It was until 2008 when Telkom Kenya launched mobile network (GSM services) under the orange brand attracting over 30,000 subscribers in the first month.

In June 2017 Telkom Kenya was formed from Orange Kenya with the rebrand aimed to bring more clients with its new colors, logo and tagline. According to the Communications authority of Kenya report between 1st October and 31st December 2017 Telkom Kenya Limited registered a 12.4 percent growth to reach 3.8 million subscriptions up from 3.4 million in the previous quarter. Telkom has rebranded into Pink, blue and yellow colors which are a representation of a unique, progressive brand that is on the move. Telkom through its vast fiber optic infrastructure provides telecommunication's solutions to individuals, small businesses, government and corporates in Kenya.

1.3Statement of the Research Problem

Innovation strategy is vital for success in innovation and performance improvement(Malek, Moradi, Mehdizade, & Dorostkar, 2013). A number of studies have been done relating to innovation and performance in other industries like insurance and manufacturing (M. S. Martin & Namusonge, 2014; Nandwa, 2016). Globally similar studies have been done regarding the innovation strategies and performance (Karabulut, 2015; Sintset Kenfac, Nekoumanesh, & Yang, 2013). Innovation can't be isolated and need to be aligned with organization corporate goals(M. S. Martin & Namusonge, 2014) Hence leading brands in the globe constantly like Apple, Google and Alibaba communicate how key innovation is similarly Safaricom being one of the leading telecommunication companies in Kenya constantly talk about innovation(Drucker, 2014).

A research on innovation strategies and business performance on foreign owned companies in the Oil industry found out that different innovation strategies are adopted by a firm in order to achieve either a long term or a short term goal(M. Martin & Kinoti, 2017). Product innovation strategies enables firms to produce different products locally thus become highly competitive. A study on influence of innovation on small and medium enterprises with a case study of garment manufacturing industries in Nakuru county and established a link between innovation and growth of a business(M. S. Martin & Namusonge, 2014). Most of the innovations in the study were adoptions of technologies o products and processes from international firms with some firm also coming up with their unique new designs from some processes.

A study on effect of innovation strategies on performance of firms in the telecommunication sector in Kenya found out that adoption of innovation strategies affected profitability of firms (Letangule, Letting, & Nicholas, 2012). A study on the role of strategic positioning on products performance in the Telecommunications industry in Kenya found that marketing strategies influence performance of products hence the telecommunication companies should intensify their marketing strategies in order to increase performance(Onguko & Ragui, 2014). The telecommunications industry in Kenya supports the economy largely through creation of employment opportunities and wealth creation for various players in this industry. The telecommunications industry in Kenya has been on a steady rise with tough competition in the market among the players who are dominantly Safaricom, Airtel, Equitel Telkom and Faiba4G who according to the Communications Authority of Kenya serve close to 38.3 million subscribers.

Companies that have had a positive performance through innovations invest in more activities regarding innovations that have succeeded in order to achieve more. It's important to note that no company can exist and survive without innovating despite their activities of size (Sipos & Ionescu, 2018). Most organizations have great ambitious goals for growth but as is they are not end-less ways of market growth. The available markets are not growing as exponentially as the companies developing similar brands of products and the launch of unique new products is getting rare as most development portfolios are not keen on innovation (Cooper, 2011).Innovative strategies should be undertaken and implemented in order to take advantage of the available resources and goodwill the country has on the

agricultural sector. In most organizations the word innovation is common where investment is apportioned to however the important bit is how that innovation is being leveraged and at what pace do organizations need to(Karlsson & Tavassoli, 2015).

The lack of an innovation strategies can result to different sections of a company pursuing different and conflicting priorities because different departments have different needs(Karabulut, 2015). An example is the Sales department concentrating on needs of their largest clients whiles the marketing team while the marketing department envisions how the brand will be leveraged to accommodate more products and thus expand the market share. This means that different managers of sections are focused on their target markets and although different and diverse perspectives are key to successful innovation a lack of strategy to align the perspectives towards commons performance priorities then the innovations done become unproductive not aiding to the organization success.A case study by (Njeri, 2017) on effects of innovation strategies on Safaricom Kenya Limited recommended for such studies to be carried out using a case by case of different players in the telecommunications industry.

Telkom Kenya has rebranded with the new management keen on having a turnaround of the previous brand performance with better management of its resources at hand and applying innovation strategies that will enable the company rise to a solid customer base tagged with a profit margin. This study seeks to investigate which innovation strategies influence performance of Telkom Kenya Ltd.

1.4 Research Objectives

1.4.1 General Objective

To analyze innovation strategies influence on performance at Telkom Kenya Ltd.

1.4.2 Specific Objectives

i. To evaluate the influence of process innovation strategies on performance ofTelkom Kenya Ltd.

ii. To assess the influence of marketing innovationsstrategies on performance of Telkom Kenya Ltd.

iii. To assess the influence of product innovation strategies on performance of Telkom Kenya Ltd.

iv. To assess the influence of administrativeinnovation strategies on performanceof Telkom Kenya Ltd.

1.4.3 Research Questions

i. How does process innovation affect firm performance atTelkom KenyaLtd?

ii. How does marketing innovation affect firm performance at Telkom Kenya Ltd?

iii. How does product innovation affect firm performanceof Telkom Kenya Ltd?

iv. How does administrative innovation influence performance ofTelkom Kenya Ltd?

1.5Significance of the Study

The following individuals or groups of people may benefit from the findings of this study as follows;

Management

Through this research the management of Telkom Kenya Ltd will be able to take advantage of innovative strategies that may help increase their firm performance. This study will help the management properly invest in the innovation strategies that positively and to a huge extent enhance performance.

Telecommunications Industry

This study highlights to the telecommunications firms the different innovation strategies at their disposal, the innovation activities that will ensure they perform better in different performance measures. The realization of these innovations would allow better allocation of resources to the different products.

Scholars

The study proposes to add to the body of knowledge in regards to the relationship between innovation strategies and performance, which innovation activities works best for the performance of any organization. The Study adds to the knowledge database on relation of innovation management and the performance of the companies in the Telecommunication sector; A future reference.

1.6Scope of the Study

The Communicationssector in Kenya has a number of main players which are Safaricom,Airtel,Telkom, Equitel and Faiba4G. This study was limited to Telkom Kenya Ltd headquarters located in Nairobi Upper Hill and the respondents will be employees of Telkom at their different management levels.This study is only limited to definitions from Oslo Manual (2004) of innovation strategies which are Process innovations, Product innovations, Market innovations and administrative innovations.

1.7Limitations of the Study

The research focused on Telkom KenyaLtd one of the players in the telecommunications industry where competition is very high. Data collection may be hindered by uncooperative employees who may withhold information in fear of their competitors.This wasovercome by that the researcher assuring the respondents of the highest level of confidentiality.

The study focused on innovation strategies on Telkom and hence unable to get information from other industry players sectors in relation to their innovation strategies and performance. This wereovercome by fact that the findings in this study can be applied to other industry sectors though other firms can only use this as a referral point.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on relevant selected literature and examines the various theories concerning innovation and performance in perspective to the telecommunication industry. The literature review and the empirical literature in this chapter will focus keenly on studies that have analyzed the effect of innovation management to the performance of an organization. The chapter will conclude with a discussion on the research gap.

2.2 Theoretical Literature

2.2.1 Open Innovation Theory

Open innovation is a paradigm which states that firms can and should use external ideas as well as internal ideas, internal and external paths to the market as the firms look to advance their technology(Chesbrough, 2006). This open innovation theory considers that research and development is an open system where ideas come from both the internal and external sources. In the open innovation system they are no solid boundaries of the firm and both the internal and external paths to the market are considered similarly. This ensures that there is a vast knowledge database and resources in the industry thus fuelling innovations fast(Naqshbandi & Garib Singh, 2015).

Open innovations are divided into two dimensions namely inbound open innovation and out-bound open innovation (Naqshbandi & Garib Singh, 2015). In the case of inbound open innovation it involves leveraging on discoveries made by others and establishing key business relationships with external firms with hope of enhancing its competencies towards innovation (Naqshbandi & Garib Singh, 2015).Out-bound open innovation is about the outflow of existing knowledge or technology with intent to leverage existing external technological capabilities. This exploitation of ideas can occur in different markets by selling intellectual property and increasing capabilities by diverting ideas to the external market(Gassmann, Enkel, & Chesbrough, 2010).This theory relates to this study in that for a company to perform better either financially or non-financially there out to be a source of those innovations which could either is internal or external. Despite the origin of these innovations

they should be able to influence positively the running of the firm activities to ensure better performance.

2.2.2 Schumpeter's Creative Destruction Theory

In this theory by Schumpeter, the possibility and activity of the entrepreneurs create completely new opportunities for investment, growth and employment. The invention or basic innovation has less impact while the diffusion and imitation process have greater effect on the performance of a firm. Of key importance is the diffusion of basic innovation which is the period where competitors realize the profitable potential and start to invest in the technology. of focus by Schumpeter's was which company according to size could innovate better and stated that smaller firms are flexible and are in a better position to innovate rather than the larger firms due to their bureaucratic decision making tables. Later he regarded that larger firm enjoying monopolistic privileges could also take advantage to innovate (Naqshbandi & Garib Singh, 2015).

Schumpeter's who was an Austrian economist defined innovation as key dimension of economic change believed that economic change occurs due to innovation, entrepreneur activities and the market power (Naqshbandi & Garib Singh, 2015).He is hailed as one of the legendary economists of the twentieth century and his concepts on innovation and entrepreneurship are highly regarded as literature to economics. Creative destruction occurs when something new replaces something older and is vital concept in economics that seeks to explain industrial change dynamics. Consumer preferences are known and don't change spontaneously hence cannot be relied upon to make a change economic development as they play a passive role. Schumpeter described the forms of innovation to be as follows; Launch of new product or new series of already known products, Application of new production or sales methods of a product, realization of a new market, acquiring new sources of raw materials and restructuring of the firm (Schumpeter, 1934).

Schumpeter's also argues that a firm seeking to make profits must innovate as this will cause the different employment of economic system existing supplies of productive means. Innovation is considered as a key driver of competitiveness and the center of economic change causing creative destruction (Schumpeter, 1934). Schumpeter divided the innovation

process into four key dimensions; Invention, innovation, diffusion and imitation and places the entrepreneur at the center. Innovations are the key to performance and the entrepreneur is the central innovator whose role is to allocate existing resources to new uses and combinations. The typical characteristics of entrepreneurs are: intelligence, alertness, energy and determination. Entrepreneurship is innovation and actualization of innovation (Ruttan, 1959).Innovations in management principles and processes creates a long lasting advantage producing shifts in competitive position. As over the past 100 years management innovation more than any kind of innovation has allowed companies to cross new performance thresholds (Hamel, 2006). Innovation is the essential function of the entrepreneur(Ruttan, 1959).This theory is important in this study as it relates to the administrative innovation variable which is about creating new ways of thinking and unique operation models shows the processes of innovations supported by entrepreneurship which is about using the resources available to create a competitive product or service. This theory supports that for any company to be successful they must use all innovation strategies at its disposal to cause ripple effect in the economy

2.2.3 Disruptive Innovation Theory

Disruptive innovations is a theory by Clayton Christensen which states that these innovations that enable creation of new markets and value networks which eventually disrupt the legacy system of networks and markets over a period of time. Theseinnovationsassist in improving quality of products and services in new ways that the market does not expect and it's only the radical innovations that can ensure growth(Hamel, 2009). Disruptive innovation can be defined as the successful configuration of a product or service that changes the demands of a market and its needs ending up displacing the legacy players in the market (Yu & Hang, 2010).The characteristics of these disruptive innovations are that they are inferior to the market place product attributes, provide unique and new value system to the either a new consumer or to market that is price oriented, prices are lower and they enter and succeed in the market from niche to mainstream(Govindarajan & Kopalle, 2006).

Disruptive technologies offer alternative values from the mainstream technologies and at the beginning could perform lower than the legacy technologies which could result to resistance from traditional customers. Disruptive innovations occur as a process which seeks to develop and improve products to serve a niche market which does notconsider the non-standard

attributes. Market disruptions occur when the new seemingly inferior products overtake and displace the traditional mainstream products despite the performance(Hamel, 2009). These innovations that are disruptive are a game changer as they attack businesses that have existed before by offering new avenues for profit making. They occur from gaps that exist in the market where small ideas are combined with a different world perspective which challenges the status quo and looks into new horizons. They set unthinkable goals and set the customers to a new unexplored view challenging their expectations(Harvey16 *et al.*, 2012). This theory relates to this study in that innovations change the game of business thus disrupting and creating new markets for products of a firm through radical innovation. A company must be able to relook at their legacy strategies and focus on the different innovations in product, process, marketing and organization.

2.2.4 Resource Based View Theory

The resource based theory states that organizations that have strategic resources have competitive advantages and perform better than organizations that lack them. The resource have the following characteristics in that they are rare, valuable, difficult to imitate and not easily substitutable(Barney, 1991).This theory was developed in 1977 by Wernerfelt and it suggests that the resources possessed by a firm are its key determinant of its performance. With emphasis that firms that have valuable, rare resources and capabilities have more competitive advantage leading to better performance(Wernerfelt, 1984). Valuable resources help in the organization performance effectively while overcoming the opportunities and threats of competitors in the industry, Rare resources are owned by few and selected and not by competitors, Difficult to imitate resources include intellectual property like patents, trademarks, copyrights, trade secrets.(see figure 2.2) These usually are developed with time, not easily substitutable resources when a firm's combination of resources strategy cannot be easily duplicated by other competitors.

This theory addresses the reason why organizations are different, how they can achieve more ad sustain their performance by the use of their resources (Kostopoulos, Spanos, & Prastacos, 2002). The view of a firm from a bundle of resource point of view was pioneered by Penrose in 1959.They are two main branches of causes of growth in a firm; the external and internal causes to the firm. The external factors include raising capital, demand conditions among others which one has to understand the firm itself before fully understanding them(Penrose,

1959). The right combination of a firm's resources and capabilities create a competitive edge for an organization (Vaxevanou & Konstantopoulos, 2015).In the last decade the use of this theory(resource based theory) in research on marketing has increased upwards to more than 500% thus explaining its relevance as a framework for explaining the relationship between competitive advantages and performance(Kozlenkova, Samaha, & Palmatier, 2014).

Firms need to identify or acquire resources that are critical to its industry in order to develop the capabilities for high performance. The capabilities achieved can be used in one or many ways depending on the different strategies used. An example is where one firm may choose to be the unique leader in the market with new products, thus the company has to build a strong research and development team to produce this. Another firm may choose to add more value to its existing products by updating them constantly to be attractive to the market, they will build an research and development capability that incrementally improves the product (Hitt, Carnes, & Xu, 2016). Firms are heterogeneous in the fact that they own in terms of the resources that they have at their disposal a characteristic brought by the imperfections of the resource market, the resource immobility and the inability of a firm to change their stock of resources with time (Barney, 1991).

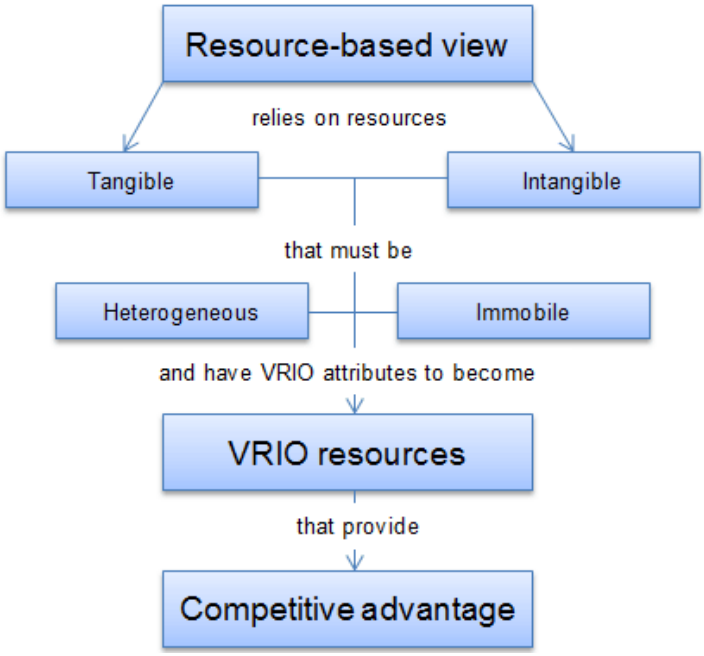


Figure 2.1 Resource Based view Model
Source from https://www.strategicmanagementinsight.com

It’s not enough for a firm to have immobile and heterogeneous resources to maintain a competitive advantage. The VRIO framework examines if resources are valuable, rare costly and difficult to imitate (Barney, 1991).The below framework explains more on the VRIO framework.

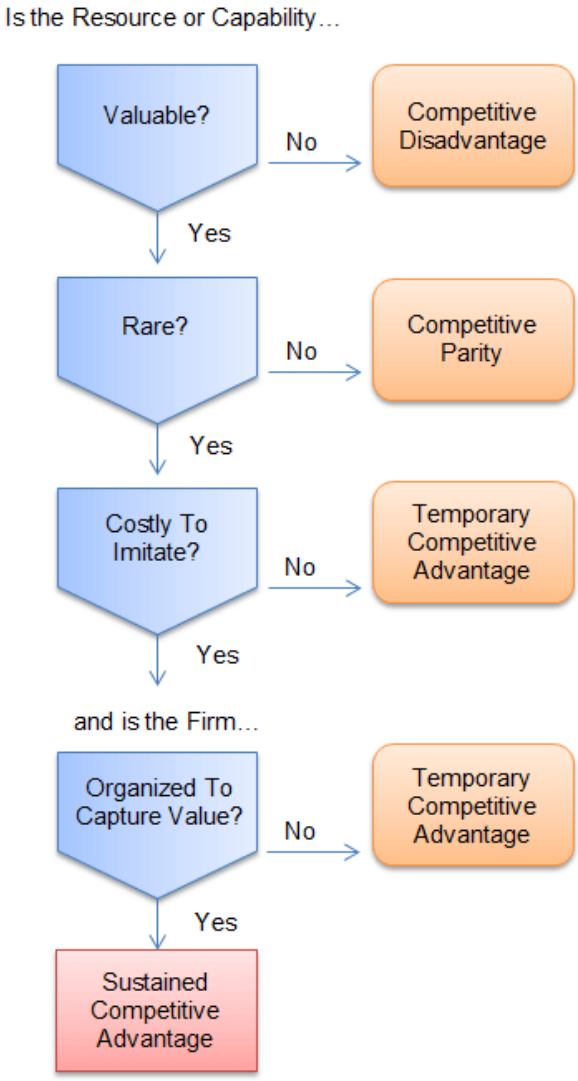


***Figure 2.2*VRIO framework**
Source*: (Rothaermel, 2015)*

2.3 Empirical Review

2.3.1 Performance

Organizational performance shows the wellness of a firm with its ability to respond to unseen opportunities in the environment that may occur if it will meet its financial obligations and its financial position relationship with its creditors.Performance therefore is about how well and successful a group of individuals with a common goal perform. Organizational performance is divided into different areas which are; financial performance which is about profits, return on investments and return on assets, shareholder performance which is about shareholders return for investment, economic value gained and market performance which is about sales and market share(Richard *et al.*, 2009).

All innovation activities are meant to improve the performance of a firm and a difference in the performance is seen from the firms that do not innovate (Damanpour & Evan, 1984). With the emphasis of performance from innovation activities it's important a clear measurement is defined. From an economic perspective performance is about profitability whereas from the strategic management perspective it's the achievement of a collection of strategic goals(Henri, 2006; Miller, Dröge, & Toulouse, 1988)For high performance in an organization all parts and units within it have to work together to ensure performance. Some of them are strategic objectives, organizational structure, business performance measures and allocation of firm's resources, culture, values and reward structures.

Two measures have been visibly dominating performance measurement which are financial and non-financial measures(Venkatraman & Ramanujam, 1986).Financial measures are about the simple use accounting indicators that reflect achievement of the economic goals as set by the firm. These goals include sales growth, profitability levels, return on investment, return on sales, return on stock among other accounting measures(Venkatraman & Ramanujam, 1986).Traditionally these measure of financial mattes have been the dominant measure though literature shows that firms are seeking more than just financial goals(Sintset Kenfac et al., 2013). Non-financial goals focus on contents of strategies and the extent of their achievement with an aim of focusing into the future. Some non-financial measures do include market performance measure, technology based performance measure and internal firm operations(Ittner & Larcker, 1998).On market measures issues like the overall market share,

client satisfaction and set goals of marketing are emphasized with market share in some cases used as a measure of profitability due to its focus on economic outcomes(Venkatraman & Ramanujam, 1986).They are two indicators of firm performance from the perspective of statistical method which are quantitative and qualitative indicators(Nicholson, Rees, & Brooks-Rooney, 1990) Quantitative indicators include growth sales, growth of assets, market share, return on sales, return on investments and assets.Qualitative indicators are based on financial viability, market security, capacity to withstand change and reduce employee turnover(Nicholson *et al.*, 1990). This study will consider the measurement of firm performance from the perspective of financial and non-financial, and focus on financial, market and innovation performance. This study will focus on the influence of innovations strategies on the three aspects of firm performance

2.3.1 Innovation strategies and Firm Performance

The key drivers of innovation in small and medium manufacturing enterprises are innovation and formal structure hence this implies they are likely to perform better if they mirror large manufacturing firms. The conclusion is that if SME's recognized and encourage innovation culture and strategy their performance is likely to improve(Terziovski, 2010).Initial studies have focused on research and development in the firms but they have been a number of perspectives that have developed which include; Spatial perspective focuses on research on globalization of innovation due to the ability of interconnectivity open innovation enables a firm to increase its access to knowledge database and the best talents globally without having to have them on their payroll (Cohen & Levinthal, 1994). Structural Perspectivewhich states that division of work had increased with innovation where there is more outsourcing of research and development services and alliances. This is key in cost reduction where the research focuses more on long term customer oriented solutions(Gassmann *et al.*, 2010). Cultural perspective relates that the innovation process is a mindset issue. Open innovation practice is greatly encouraged by the creation of a culture that realizes that outside competence and know how is key. The culture can be influenced by a few issues like incentive systems, management information systems, communication platform, project decision criteria among others, Processes: Industries have started to seek professionals who will manage open innovation and its processes effectively and efficiently. Open innovation managed by professionals will spread knowledge through different industries hence will be a

benefit to the industries. The rise of third parties to manage these processes will greatly affect this process and the mobility of executives with the experience in open innovation(West & Lakhani, 2008).

Previous studies have shown that there is a positive relationship between innovation and business performance in a number of empirical studies(Prajogo, 2006).The innovational strategies' are related in that product innovations are spurred by market innovations through organizational innovations. The research and development item in an organization is also a critical factor as it ensures quality of goods and services is maintained at the same time supported by availability of innovative opportunities(M. Martin & Kinoti, 2017). Innovation strategies are not similar in that some are highly complex where a combination of organizations undertake different innovation strategies at t a given time while other are easy to implement where by an organizations specifically decides to focus on one innovation strategy at a time. Of the choice between the complex and simple strategies an organization undertakes the ultimate goal is increased productivity,higher performances,lowering costs of production while they increase or maintain the market share (M. Martin & Kinoti, 2017)Some research have been carried out between firms that have different innovation strategies and their performance and the findings are that firms that constantly innovate periodically are better handle to handle difficult industry challenges(Kumar & Sundarraj, 2016).

2.4 Process Innovation and Organizational Performance

Process innovation is the adoption of significantly improved or new delivery or production method. Process innovation is meant to decrease unit costs of delivery and production, deliver new or to produce new significantly improved product and increase quality(Gunday, Ulusoy, Kilic, & Alpkan, 2011). Process innovation focusing on improving the efficiencies and effectiveness of production and also improve or change the way firm perform. Process innovation is a significantly improved delivery method or adoption of a new production process Thus also includes a significant change in equipment and software and techniques (Suroso & Azis, 2015).

Process innovation is an approach that involves new elements being incorporated in the different stages of the organization using new work strategies, new design programs and the key implementation of the change in human, technological and organizational dimensions (Davenport, 1993). According to the Oslo Manual (2005) Process innovations are about new or improved production or delivery method that consists of changes in equipment, software's and techniques.A process can be defined as a structure of action; unique planning of work activities within a time frame and location that has a beginning and an end with specific inputs and outputs (Davenport, 1993). Process innovations have an influence on organization and its management as it changes relationships among the organizational members, effecting rules, procedures, structures, communications between the members and their environment (Walker, 2014).In process innovations the customer is able to benefit from low cost strategies in process innovation where the costly areas in product development are relooked or eliminated.

Process innovation is divided into three different categories. These were: service process innovation, incremental process innovation and radical process innovation(Aziz, Abidin, & Kadir, 2015). Service innovation refers to making changes to intangible products which influences to a high degree the customer demand and interaction. The incremental process innovation is referred to as the making of minor changes or improvements in firms' elements of internal process but will have no effect to industry (Reichstein & Salter, 2006) .Radical process innovation involves levels of change whether these major improvements or new changes on the firms' elements of internal process are related to industry(Kim, Kumar, & Kumar, 2012). The incremental on process and product from technological innovation helps improve firm competiveness with the main justification being to increase organization value or productivity which is important to the manufacturing sector and that process innovation should be encouraged as a major strength for achieving competitive advantage to the firm (Oke, 2013)

Process innovations are also a solution to the rising needs for synchronization within departments for example the marketing and manufacturing department which allows a company to produce only what the client needs(Davenport, 1993). The process innovation strategies' are developed from industry knowledge that has been acquired which works as a solution to the companies weak internal capabilities (Hervas-Oliver, Sempere-Ripoll, & Boronat-Moll, 2014). With process innovations, performance is measured using details of the

production process which include indicators of cost reduction, flexibility and capacity improvement.The firms implementing the process innovation strategy have been seen to rely on acquired knowledge outside its boundaries to solve their internal issues which is a big difference form the legacy research and development product innovation strategies (Hervas-Oliver *et al.*, 2014).

They are different drivers for process innovations some including competition, need from customers for change, finance among others(Davenport, 1993).Unnecessary costs can be dealt with effectively by using process innovations without suing other alternatives like business unit sales or early retirement offers. Process innovations also provide an opportunity for a fresh start as it aims at redesigning a process that is to be outsourced from an external firm. It's important to note that these process innovations can lead to better coordination and coordination of different departments within an organization thereby producing only what the customers need thereby overall improving the financial performance of an organization. They are different process innovation initiatives such as time reduction, process cost reduction, improved customer service(Terziovski, 2010). Process innovations assists companies to improve on quality of their products and services through better use of technologies, equipment's and delivery strategies leading to costs reduction(Sipos & Ionescu, 2015).

Operational efficiency, effectiveness brand image improvement, sales growth and market rank performance are all as a result of process innovation as they enable the organization of firm to launch more enhanced products and services at a low cost which met the needs of the customer(Noorani, 2014). The company's size and its activity's determine the effect of innovations performancewith different industries between manufacturing and service industries recording different results. The bigger the size of a firm the more the areas to invest in different process innovations which leads to costs reductions and increases cost efficient(Sipos & Ionescu, 2015).

A study on process innovation strategies found out that such strategies as costs reduction and conformance to regulations resulted to high profitability with technology innovations promoting friendly and customer centric staff which translated to high quality service and customer satisfaction(Letangule *et al.*, 2012). A study on developing strategy at Safaricom Limited found out that Safaricom is keen on process innovations on their products like

Postpaid services, M-Pesa by enhancing security, updating the M-Pesa Menu,linking to bank accounts**(**Gathara, 2009**).** A study on effect of innovation strategies on the performance of firms in the telecommunications industry in Kenya revealed that process innovations including costs reductions contributed to the firm's performance with a significant relation between process innovation and the firm's performance established(Soi, 2016).

2.5 Marketing Innovation Strategies and Performance

Marketing innovation can be defined as the execution of unique methods to market which involve changes in packaging,design,placement, promotion and pricing strategies(Hassan, Shaukat, Nawaz, & Naz, 2013).The main purpose of the marketing innovations is to increase the market share, open new markets and increase overall sales. Market innovations are concerned with the better mix of the targets markets and how those markets will be best served with a purpose of getting new markets and coming up with new ways to serve them(Lam, 2004). Segmentation of these markets which involves setting different manageable units of the market is important to a firm that has aim of maximally making profit. The lack of this segmentation or incomplete segmentation will lead to poor target of markets leading to less revenues (Kimberly & Evanisko, 1981). Marketing innovations are meant to bring efficiency by developing new ways, techniques and methods for marketing; these have a major role in the success of an organization. Some techniques for customer information collection is through use of computer software's to capture the user's data(Hassan *et al*., 2013).

Marketing innovation can be defined as the application of a new marketing method for a service or a product leading to changes in product design, packaging, placement or price establishment (Manual, 2005).According to the Manual the goal of marketing innovations is to better address the needs of the customers, open up new markets newly reposition firm's product all with the objective to increase a firm's sales.The marketing strategy has to be new and unique not used in the firm before. They are different dimensions on marketing innovations which are; product design which refers to the changes in form and appearance of the product but have no effect on products functionality or characteristics. This is common in products like drinks, foods, detergents among others whose appearance is meant to attract the

consumer where changes can be made such as introduction of new flavors for a specific market. Product placement is the second dimension or marketing innovations which involve new sale channels;where channels refers to techniques used to sell services and goods and not logistics methods.They include the franchising a system,direct selling or retailing and product licensing.In product placement it involves presentation of products in a new way(OECD 2005).

New marketing innovations involve promotions of products which can be defined as the use of new concepts for promoting services and goods. It can be through use of new type of media such as in movies or television programs,documentaries or celebrity endorsements. Branding is also key to promotion as this creates a new symbol which is meant to position the firms and its products on a new market or give an existing product a new look. Marketing innovations can also be in terms of customizing services or products according to a customer's preferences by obtaining data from their loyalty cards.Pricing as the fourth dimension of marketing innovations involves use of new strategies to price a firm's goods or services. This could be influenced by demand as when the demand is low the price is low or use of a method allowing customers to choose desired specifications of a product or service and immediately get price for it (OECD, 2005).

Market innovations are critical as they contribute to labor productivity through increased sales values due to customers having a better perception of the products and services offered by a firm. This also opens up new markets and channels for distribution thus relating to higher sales brought by productivity through the increased opportunities (Karlsson & Tavassoli, 2015). These innovations are important in that they assist in addressing customers' requirements, open new market channels and assist in placing a firm's product strategically to improve on sales (Kimberly & Evanisko, 1981). Some common innovation strategies are product pricing, promotion, product placement, product design or packaging (Clarke, 2005) .The innovative marketing strategies influence the branding efforts with more focus to the customer thus improving the relationship between a brand and its customers (Yan et al., 2015). According to a study done in Tanzania on marketing innovation strategies for improved customer satisfaction it was revealed marketing innovations create value to a firm and enable it perform better in its market through the use of unique marketing strategies (Senguo & Kilango, 2015). A Study by (Mugo, 2015)in Kenya about innovations and

performance revealed that market innovations gave the company's opportunity to market their products via media channels, quick and efficient solutions to customers, deliveries according to placed orders while enabling them assess new market areas hence remaining competitive.

2.6 Product Innovation Strategies and Performance

Product innovation is concerned with coming up with new products which are in line with customers preferences and likes or changing necessary changes to existing products to increase the customers willingness to pay more for the product (Karlsson & Tavassoli, 2015). Product innovation is now more relevant in todays' global market with its competitive environment due to intense competition internationally, diverse technologies and demanding markets(Dwyer & Mellor, 1993).The main aim of product innovations is to create an appeal to new and existing customers with firm's modifying already existing products or creating new products altogether (Adner & Levinthal, 2001).

Product development is categorized into two; primary and secondary innovations where primary innovations are about the development of novice markets and a new concerned with technical originality and a significant change in consumer behavior whereas secondary innovations are focused on company and involve making significant changes to the existing market. New goods or services success are determined by how they are approved in the market hence high technology doesn't always assure market success(Dwyer & Mellor, 1993).

Product innovation is critical to an organization survival and success as it offers unmatched customer benefits, reducing costs substantially opportunity and ability to create new line of businesses which would lead to better performance of an organization (Slater, Mohr, & Sengupta, 2014). Product innovation has different dimensions; Customer's perspective dimension is the first dimension which is about product being new to the customers, second one is that the product has to be new to the firm and lastly product modification results to product changes to the already existing firm's products (Atuahene-Gima, 1996).

In Product Innovations there are improvements technically, in components, materials, software usability and other characteristics regarding its functions.Product innovations in new products means that the products are different based on their characteristics from others produced by the firm before while in new uses for products means introduction of minor changes to specifications of a product. A product innovation in services is about

improvements in how services are provided in terms of speed and efficiency, introduction of unique and new functionalities in the existing services. For Service providers like Telkom Kenya it could improvements in T-Kash services, ease of use of the application, better speeds for their internet services among other services.Product innovations are important to both the firm and the industry as it leads to improved quality of products, reduced costs of production and overall increase in sales and profits. Products innovations which are successful introduce new products and services to the market thus creating growth for businesses and ensuring value for the customer(Polder, Leeuwen, Mohnen, & Raymond, 2010).

This is meant to increase sales margins putting in mind that through this process the inputs do not increase hence impending on the profit margins. The Product innovation strategies should also look into ways of reducing existing inputs but maintaining quality by using less costly materials and systems(Karlsson & Tavassoli, 2015). Product innovations from previous studies have been found to influence positively performance. New products, better quality, prices changes and easy usage of products by consumers as measures of product innovations which led to higher performance of a product(Gunday *et al.*, 2011). Product innovations account for the most percentage in revenue collections as process innovation assist in maintain quality as cost remain low for production (Storey & Easingwood, 1998). Long term growth of a business is particularly associated with continued new and improved products(Hart, 1996). Product innovation is a key driver to both economic growth and overall productivity as successful innovations bring up new products and services which create a new market generating business growth while creating customer value(Zhang, 2004). Product innovation is about introducing new products or services or improving existing services(Polder *et al.*, 2010).

A Study by (Gökkaya, 2015) on linking core competence, Innovation and firm performance reveals that innovation has major effects on firm performance with efforts in new product development improves the qualitative and quantitative performance hence brining out a positive relationship between product innovation and the performance of a firm. This means that the ability of an organization to introduce new product or ideas positively affects the market share putting it in a better competitive edge in the market. Previous studies indicate a positive relationship between product innovation and firm performance (Verhees & Meulenberg, 2004; Yeh-Yun Lin & Yi-Ching Chen, 2007) with frequent product

introductions satisfies the customer needs allowing the firm to make profits thus enhancing its competiveness. This supports that a performance of a firm is dependent on product innovation due to its ability to stimulate the market enabling the firm to compete with diversified products unique to the market.In Kenya different studies have been carried out to establish the link between product innovation and performance. A study by (Waweru & Ngugi, 2014) revealed that new product are essential to the customer perspective of a firm which in turn relates to better performance of the firm.A Study by (Njogu, 2014) on effect of innovation on the financial performance of the small and medium enterprises in Nairobi County,Kenya found out that product innovation influence performance as the introduction. A Study by (Kiiyuru, 2014) revealed that product developments which are unique and radical support the performance of a firm. They can be combined with product repositioning, product range extension, product replacement all aimed to contribute to the bank's profitability.

2.7Administrative Innovations and Performance

Administrative innovations refers to changes in the structure of an organization or the administrative processes which include personnel recruitment, allocation of firm's resources, restructuring of tasks, authority and rewards(Damanpour et al., 2009). Administrative innovations are among the four types of innovation as per the Oslo Manual (Oecd, 2005)Administrative innovations deals with recruitment policies,allocation of firm's resources and authority, structure of tasks as well as reward tasks related to management activities. This means that that the components above are directly related to the structure and social system of the organization(Moreno, Mata, Bello, López, & Hernán, 2015).

Administrative innovations are also referred to as organizational or management innovations(Damanpour, 2014).They significantly address how managers do what they do thus improving their decision making leading to better performance of an organization. Administrative innovations are concerned with how organizations adapt to changing conditions on competition,technological changes, market expansions by production of newer and better products, techniques and systems(Dougherty & Hardy, 1996). This entails that organizations will keep developing new products and services and finding ways of introducing them to the market continuously, which is crucial to its stakeholders. Administrative innovations are concerned with managerial skills which foster efficiency and

effectiveness of an organization processes regarding management and its administrative systems.

Administrative innovation involves different components of an organization and is connected to the social system of the organization thus introducing new methods of organizational practices, work place reorganization and the organization's external relations(Oecd, 2005).Administrative innovations are meant to increase a firm performance by reducing costs on administration activities, providing a conducive workplace environment, reducing cost of supplies and acquiring assets that are non-tradable(Oecd, 2005). The key component of administrative innovation is the administrative process which entails a new management system,a new administrative process and a program to develop staff administratively.This element of administrative innovation impacts the organization and its members socially not excluding their roles, procedures, structures in their communication(Subramanian & Nilakanta, 1996). Since administrative innovations pertain to the human resources, structure of the organization and the administrative systems they are implemented from top to down. They involve roles procedures, structures related to firm's communication among employees thus not directly related to work activities but to organizational management(Jaskyte, 2011).

Administrative innovations are adopted more quickly and easily in centralized and highly formalized organizations where rules and regulations are upheld mainly at administration cores with management having more control over the employees(Jaskyte, 2011).The size of an organization affects the implementation of administrative innovations with larger and complex organization's easily facilitating their implementation as a solution to their issues of coordination and control of their departments and units(Daft, 1978).Adoption of administrative innovations is more conducive when power is centralized in the organization since introduction of administrative innovations activities is prompt such as new recruitment policy, reward and incentive system, performance appraisal system or a new organizational structure which all require upper management action(Jaskyte, 2011).

The standards for administrative innovations are based on three issues; first are new business practices on procedures in an organization including knowledge management, quality management, supply chain management, business re-engineering among others. Secondly it involves unique and new ways of work organization and decision making which involve

teamwork, system of employee responsibilities, merging and expansion of department, training systems. Lastly it involves new ways of external relations management with other firms and institutions though use of partnerships, subcontracting, outsourcing and alliances(OECD 2005).Public organizations are now keener in restructuring and improving management process in a bid to perform better as competition grows in their respective industries. The administrative innovations are crucial in changing an organization, facilitating the external relations of the firm and improving efficiency of the internal processes. Some examples of administrative innovations like the Balance score card and Total quality management ensures that an organization is aligned to the needs of the clients at much lesser costs(Walker, Damanpour, & Devece, 2010).

Administrative innovations are also defined as the creation and implementation of different management practices,processes,technique which are novice and meant to ensure the form perform better(Birkinshaw, Hamel, & Mol, 2008).This means that administrative innovations cut across structural, management systems, work management knowledge operational and administrative dimensions all aimed at improving performance. Based on this the Administrative innovations can be dividedinto; information technology dimension which is about new use of management and enterprise systems meant to enhance efficiency in the organization operations and systems and an administrative dimension which relates to use of novice management systems to enhance efficiency in the work of management(Damanpour, 2014).The administrative component is important in bridging the top-down processes with the management control system motivating junior managers to make a uniform decisions while the operational component consisting of information and enterprise systems ensure planning and coordination in all parts of the firms Structure. This is done through collection of data, processing and giving out performance indicators per sector.Combined the different dimensions of administrative innovations ensure a uniform measure of performance in all departmental units are aligned to the overall goals of the organization.According to a study by (Naveh, Meilich, & Marcus, 2006) it was found out that administrative innovations have performance gains when implemented line in line with adaptation and readiness to go beyond the change. In this case organizations are most likely to perform better if they learn as they are strong relationship ties between implementation of the administrative innovations and firm's performance.According to a study by (Moreno *et al*., 2015) administrative innovations are key as they make it possible for firms to understand challenges and build capacities to

handle them such as knowledge and training methods development, development of autonomy methods on appraisal on employees performance. This then ensures that a firm is able to strategically position itself according to their resources and abilities generating innovations, development and growth in ways other firms cannot imitate thus creating unique value.

2.8 Performance Measurement

Evidence from literature indicates that scholars are of the opinion that what is not measured cannot be managed and what is managed often improves(Drucker, 2014). However, (Lazer, Kennedy, King, & Vespignani, 2014)disputes this argument arguing that not all important things are measureable.There is consensus in literature that organizations must measure their performance which has seen the growth in popularity by managers seeking to establish how good or bad they have been working towards meeting their organizational objectives(Van Looy & Shafagatova, 2016).Therefore performance measurement has become an important element for overall organizational performance evaluation.Performance measurement refers to quantitative or numerical indicators that can be used to show how well the objectives of an organization are being met. Performance measurement includes both financial and non-financial objectives that in turn influence organizational performance(Richard *et al.*, 2009).

Performance measurement has several components;first, it ensures that organizational mission and operational goals are specified, understood, and accepted across the organization. Second, the specification of performance targets and measures ensures the strategy, and how it is implemented tactically and operationally, is continually assessed. Third, the clear specification of objectives and their understanding across the service areas permits devolution of control to line managers who can make local decisions based on the wider organizational mission and goals. Fourth, serious deviations from the plans that surpass the local scope and resources are communicated to top management and the corrective action is applied in the organization (Walker, 2014).

A study on performance measurement systems by (Roshan & Jenson, 2014)attempted to assess the literature to identify the importance of performance management, terminologies and various models in performance measurement system. Knowledge about types of measures, their purpose and tests on measures provides sufficient inputs while designing a

performance measurement system. The study found out that Literature indicates the existence of wide variety of measures and frameworks. Many of the works are theoretical models with less information on how to implement these models. The validity and practicality of most of these measures and metrics is yet to be determined. With the change of time business practices are also evolving to meet the changes in market demand and customer expectations.

The overall organizational performance isdone by developing a performance evaluation model, based on integrating two methodologies of balanced scorecard (BSC) – a multiple perspective plan for performance assessment – and analytic hierarchy process (AHP) – a structured technique for organizing and analyzing complex decisions. The method was conducted in Isfahan Telecommunications Company (ITC), in 2013. In total, 27 managers of ITC were invited to participate. First, according to overall firm goals, key performance indicators (KPIs) were established with respect to four perspectives of BSC framework. Then pairwise comparisons were done, through standard AHP questionnaires, to determine the preference weights of each indicator and perspective and give precedence to them. The findings indicate that Organizational performance can be measured by the proposed model in a telecommunications industry. According to the adopted method, company KPIs, relative importance of BSC perspectives and performance evaluation of functional areas were identified (Yaghoobi & Haddadi, 2016).

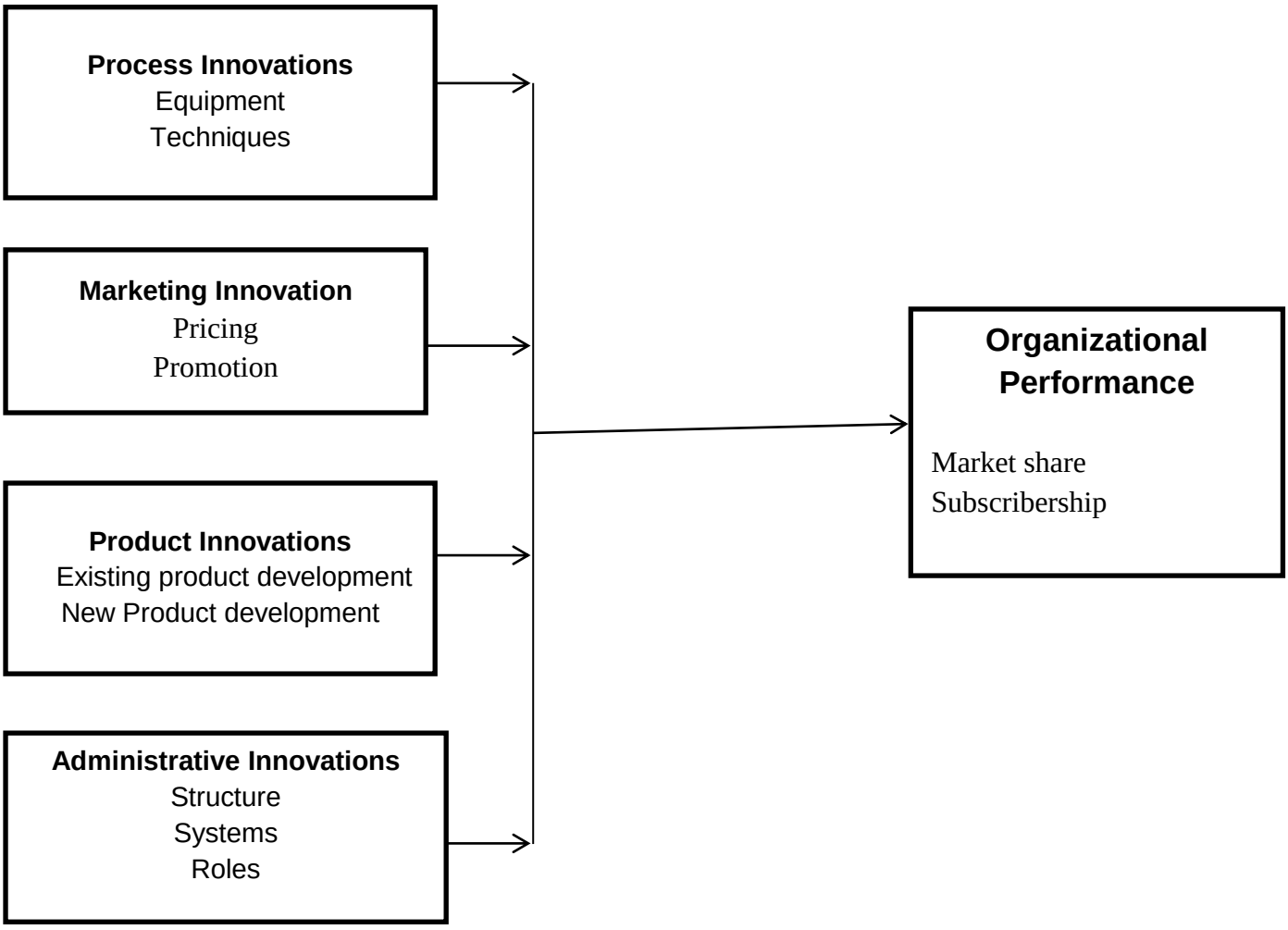


Figure 2.3 Conceptual Framework
(Source: Author 2018)

From the reviewed literature it is evident that there is no substantive and clear innovation strategy that solely influence positively on performance on a firm though firms exist in different competition zone.This study focused on innovation strategies' used in Telkom Kenya Ltd and their influence of its performance with the objectives focusing on the different kind of innovation strategies.

2.10Research Gaps

Based on the literature review it is evident that for any organization to remain competitive in a given industry, firms need to come up with strategies that ensure that they use the resources at their disposal effectively to create products or services that the current knowledgeable customer can relate and accustoms it to have value for money.

There lacks distinctive studies on how Process, Product, Market and Administrative innovations are related to organizational performanceof Telkom Kenya Limited with most studies concentrating on one aspect of innovational mostly the technical innovations.Due to the advancements in technologies, high competition and economy with emerging knowledge's and intelligence in industrial and service firms innovation has become critical to industry competitiveness to ensure survival,growth leadership in a given industry (Razavi & Attarnezhad, 2013). This creates a research gap supported by the reviewed literature which this study sorts to fill by evaluating the influence of innovation strategies to the firm performance at Telkom Kenya Limited.

Table 2.1 Research Gaps

Year	Author	Title	Role of this study	Gaps	How the Gaps addressed
2014	Kiiyuru, Karanja David	Effects of innovation strategies on performance of commercial banks in Kenya	To determine effects of innovation strategies on influence performance of commercial banks	Study carried out in Banks	Current study looked into Telkom
2015	Mulei, Muli Alex	The Impact Of Innovations On Financial Performance Of Small And Medium	Impacts of innovations on financial performance of SMEs	Study looked at descriptive methods and in small medium enterprises	Current Study focused on inferential statistics and on a telecommunications firm

		Enterprises In Starehe Constituency, Nairobi County			
2016	Awuor, James Kimutai Yabs[1]. Dr Emmanuel	Market Orientation And Performance Of Fruit Exporting Firms In Kenya: A Theoretical Perspective	Market Orientation, Firm Characteristics and Firm Performance	Study looked at an Agribusiness sector and only used theoretical perspective	Current study looked at a case study
2016	Caroline Cherop Soi	Effect of innovation strategies on the performance of firms in the telecommunication industry in kenya	Effects of Product, Process, Technological and market innovations to organizational performance.	Study looked at all firms in the telecommunications industry	Study is focusing on administrative innovations, process innovations, product innovations and market innovations
2016	Nandwa, Wilson	Effects Of Innovation Strategies On Financial performance: A Survey Of Insurance Firms In Eldoret	Assess the effects of innovation strategies that improve financial performance in insurance companies in Kenya.	Study carried out in Banks	Current study focuses on different innovations strategies influence on entire firm performance.
2017	Alice Njeri	Effects of innovation strategy on firm performance in telecommunications industry: a case of Safaricom Kenya limited	Innovations strategies on performance.	Study focused on Safaricom a player in the telecommunications industry.	Current Study focusing on Telkom

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on research design, target population, sampling techniques and size, data collection instruments, validity, reliability of the research and the ethical issues in regards to the study.

3.2 Research Design

A research design is a roadmap and a clear blueprint of how the research was conducted; how data was collected, measured and analyzed(Kothari, 2004). A descriptive case study was used for this study since it occurs in their natural working areas, also it allows gathering of in-depth information resulting to rich data which the firm may use to relate the culture of its organization.

3.3 Target Population

Population refers to an entire group or collection of groups or events having a common characteristic(Mugenda & Mugenda, 2003).The study adopted a census method of all the 40 staff members of Telkom Kenya Limited Headquarters who are from senior management, middle level management and operational staff.

Table 3.1 Target Population

Position	**Frequency**	**Percentage%**
Senior Management	5	20
Operations Management	15	40
Middle Level Management	20	40
Total	**40**	**100**

Source: Telkom human resource data (2018)

3.4 Data Collection Tools

This study employed a semi-structured questionnaire as a data collection tool which was collect primary data. A questionnaire is useful as it collects information not comprised by the researcher and not easily derived by sight as this study requires information on how innovations influence performance of Telkom Kenya Limited(Mugenda & Mugenda, 2003). Secondary data was used from references of analyzed financial statements and other external documents produced by the firm. The questionnaire consisted of both open ended and closed ended questions which ensured capturing of all relevant data to specific items as analyzed in the conceptual framework. A Likert scale was used with the closed questions to guide and give the respondents the choice they deem most appropriate for the question asked. The questionnaires were hand by hand delivered to the different respondents after a pilot test with a few employees to ensure their validity and reliability.

3.4.1 Validity

Validity is about the ability of a tool or instrument to measure what it is intended to measure(Kothari, 2004).Content validity was addressed by cross checking on all areas of the research to be covered in the questionnaire.The questionnaire was first conducted through a pilot test with a small selected sample to ensure that any misunderstandings or omissions are factored in. Construct Validity was also used to measure and assess if the variables used reflect the theoretical concept which this study is based. Related literature was reviewed to act as a guide in formulation of the questionnaire; this ensured that the questionnaire is all inclusive therefore giving valid responses.

3.4.2 Reliability

Reliability is concerned with the degree an assessment tool is able to provide consistent and stable results. The researcher ensured that the questionnaires are administered to experts (Researchers, University scholars, Firm Managers) in the field of strategic management and innovations and their feedback was able to help improve the questionnaire by removing duplicated question or vague questions delivered to the respondents and within the time allocation agreed upon. This is key to avoid any inconveniences with the respondents within

their work stations which may affect the time taken to respond to a query in the questionnaire(Mugenda & Mugenda, 2003).

3.5 Data Collection Methods

Data was collected using questionnairesthrough drop and pick technique. A letter of authority from the Management of Telkom was accompanied with the questionnaire with a clause to encourage the respondents to give information as it wasbe helpful to the organization. The appointments were booked through the section heads in-order to allow ample and conducive time for the delivery of the questionnaires. This time frame is important and enough to allow the respondents to go through the questionnaires and give the best and accurate answers to the questions. A time frame between the respondents not exceeding two weekswas allowed to ensure the respondents are able to fill in the questionnaires.

3.6Data Analysis and Presentation.

Data analysis is the computation of key measures arising from the relationship patterns between sets of data (Kothari, 2004). This means that the data wassubjected to tests which werevalidating the data.After the collection of data, it was tabulated and analyzed using Statistical Package for Social sciences (SPSS).Descriptive statistics were also incorporated in analyzing the data to bring out the answers to the specific questions with the findings well presented in tables, diagrams and charts which greatly assisted in interpretation and generalization. The qualitative data was summarized and classified accordingly with themes and categories.

3.7Ethical Considerations

In this study the researcher first got a letter of approval form St.Paul's University and a letter of authority from Telkom KenyaLimited.Thus the study hadthe necessary approvals before commencement. The questionnaire formulateddid not take personal details but focused on the variables of the study to be conducted thus maintain privacy. The findings of this study were exclusive to Telkom Kenya Limited and can externally be used for learning purposes only.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

This chapter presents results, data analysis and finding of the study as set out in the research methodology.

4.2 Response Rate

Data was received from 32 respondents out of 40 questionnaires. Eight questionnaires were incomplete and therefore not valid. This represents a response rate of 80%. This response rate is considered adequate for drawing conclusion that a response rate of 50% as good for research(Nulty, 2008). Data was analyzed using SPSS software to extract objective results. The study elements were staff members of Telkom Kenya Limited Headquarters who are from senior management, middle level management and operational staff.

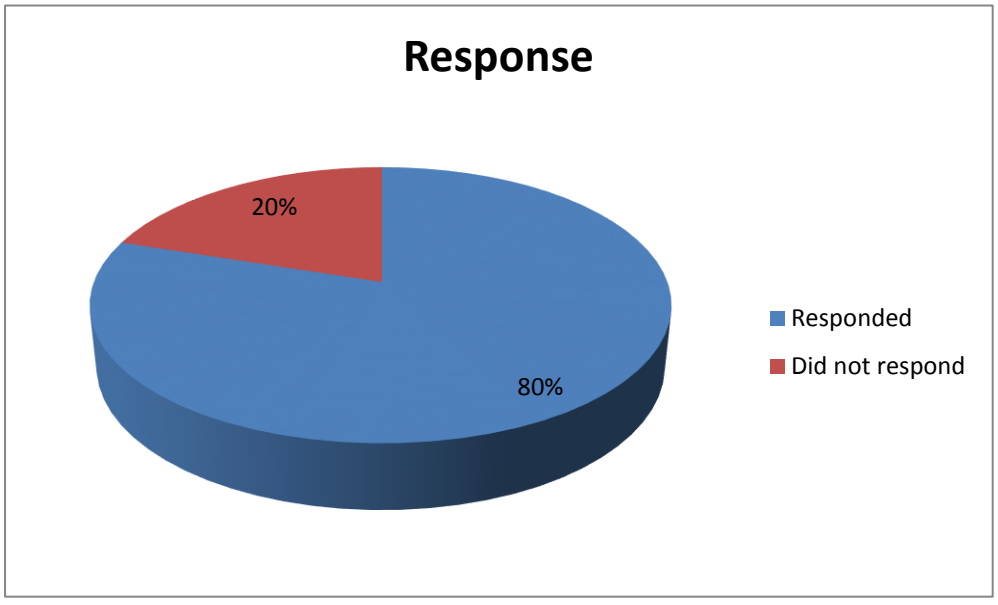


Figure 4.1: Response Rate

Source: Survey Data, 2018

4.2.1 Level of Education

Respondents were asked to indicate their level of education. The information is shown in Table 4.1. From the findings more than 85% respondents had diploma and university level of education and this therefore reinforce the reliability of the information gathered from data collection. It means that the scale's items were adequately comprehended to give a precise response. The responses from the respondents of the study were reliable because they were informed adequately in the area under study.

Table 4.1 Level of Education of Respondents

Education Level- Highest		
	Frequency	Percent
Diploma	12	37.5
Degree	10	31.3
Masters	10	31.3
Total	32	100.0

Source: Survey Data, 2018

4.2.2 Gender of Respondents

Respondents indicated their gender as summarized in Table 4.3. The results show a balance between the two gender with 20 male respondents (62.5%) and 12 female respondents (37.5%) which means that the distribution of respondents was fairly distributed and not abnormally skewed towards any gender and is therefore not biased. These findings are illustrated in Figure 4.2.

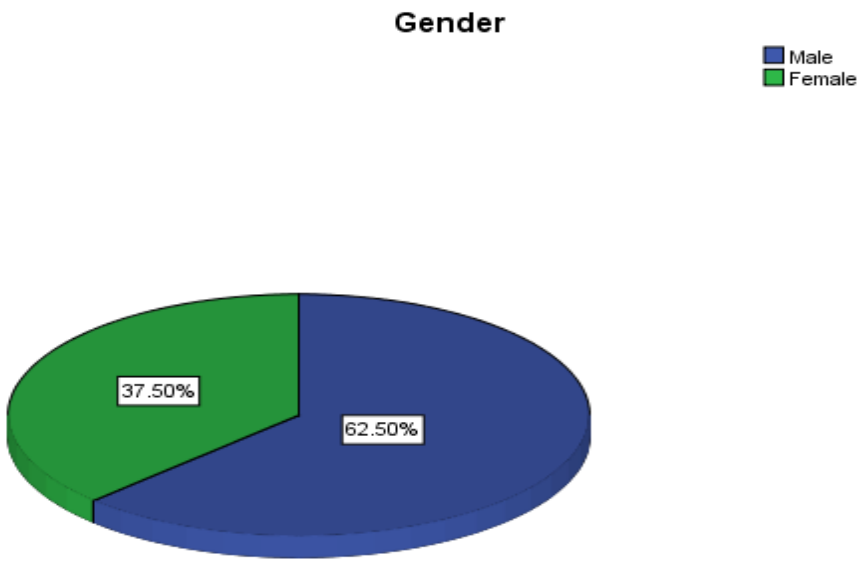


Figure 4.2.Gender of Respondents

Source: Survey data, 2018

4.2.3Position of employment

The respondents were asked to indicate their position of employment in the organization which they work in which was Telkom Kenya. The findings are shown in Table 4.2. The findings reveal that the respondents were evenly spread across the various levels of management on which this study was conducted hence eliminating the biasness of having too many respondents from one level of management.

Table 4.2Level of Employment Position

Level of employment in the organization:		
	Frequency	Percent
Senior Management	4	12.5
Middle Level Management	8	25.0

Operations Management	20	62.5
Total	32	100.0

Source: Survey data, 2018

4.2.5 Years at Workplace

The study sought to find out the number of years of working experience that the respondents had in the organizationthey were working in. The findings are shown in Table 4.3. From the findings, more than 71.9% of the respondents had more than 5 years of experience working in their respective institutions. These findings reveal that the respondents are well acquainted with the institutions they were working for and therefore reinforce the reliability of the information gathered from data collection.

Table 4.3: Years at workplace

Frequency	Percent
0-5 Years9	28.1
6-10 years12	37.5
11 and Above Years11	34.4
32	100.0

Source: Survey Data, 2018

4.3 Descriptive Data Analysis

4.3.1 Process Innovation and Organizational Performance

The study sought to find out how process innovations influence performance at Telkom Kenya. Table 4.4 illustrates the findings. The response was on a five point Likert scale (1-5). The means were computed and categorized as either high= 3 and above or low= below 2.85. The study asked the respondents to indicate the extent to which they agreed with the statement on the role of process innovations on organizational performance.

Table 4.4 Process Innovation and Organizational Performance

	Min	Max	Mean	Std. Deviation
Introduction of improved production	1	5	4.22	.706
Improved delivery method	1	5	4.19	.780
Reduction of costs	1	5	4.25	.672
Conformance to regulations	1	5	3.63	.907
Business process changes	1	5	3.97	.822
New unique processes	1	5	3.88	.707
Aggregate Score			**4.02**	**0.76**

Source: Survey Data, 2018

The results for process innovation strategies on performance show an aggregate score of 4.02 and Standard deviation of 0.76.This shows that performance in Telkom Kenya Limited is greatly influenced by process innovation. The respondents indicated that the introduction of improved production processes in Telkom Kenya positively influenced organizational performance as indicated by a mean of4.22. Reduction of costswas reported as positive influencers of organizational performance as indicated by a mean of 4.25. Improved delivery

method had a mean of 4.19 which signified that it had an influence on organization performance. Conformation to regulations and changing business processes were also reported to influence organizational performance as indicated by a mean of 3.63 and 3.97 respectively. New Unique processes had a mean of 3.88 which mean they had a moderate extent influence on organization performance. The respondents had variations in their opinions as indicated by the standard deviations with the highest variations being from conformance to regulationsof 0.907 and business process changes with 0.822.The reduction of costs and introduction of improved production had the lowest standard deviations with 0.672 and 0.706 respectively meaning the respondents agreed more on the process innovations activities which is in agreement with (Njeri, 2017) on her study of effect innovation strategy at Safaricom Kenya Limited.

Table 4.5Reduction of Costs

	Frequency	Percent
Moderate Extent	4	12.5
Great Extent	16	50.0
Very Great Extent	12	37.5
Total	32	100.0

Source: Survey Data, 2018

According to table 4.5 more than 87.5% of the respondents agree that the reduction of costs influences performance at Telkom to a great extent

The findings agree with previous studies which established that process innovations assists companies to improve on quality of their products and services through better use of technologies, equipment's and delivery strategies leading to costs reduction(Sipos & Ionescu, 2015). The incremental on process and product from technological innovation helps improve firm competiveness with the main justification being to increase organization value or productivity(Pratali, 2003).This is important to the manufacturing sectorsk and that process innovation should be encouraged as a major strength for achieving competitive advantage to the firm (Oke, 2013).More than 87% of the total respondents agreed that Costs reduction was very important in fuelling the organization performance which agrees with similar studies on effect of innovation strategies on performance in the telecommunications the study by (Soi, 2016).

4.3.1Product Innovation and Organizational Performance

The study sought to find out how product innovations affect performance at Telkom Kenya. Table 4.6 illustrates the findings. The response was on a five point Likert scale (1-5). The means' were computed and categorized as either high= 3 and above or low= below 2.85.The study asked the respondents to indicate the extent to which they agreed with the statement on the role of product innovations or organizational performance.

Table 4.6: Effects of Product Innovation on Organizational Performance

	Min	Max	Mean	Std. Deviation
New packaging and design of current and new products through new shape, colors and volume.	1	5	3.56	1.076
Product improvement	1	5	3.97	.647
New production cost measures	1	5	3.81	.693
Product range extension	1	5	3.81	.859
Product replacement	1	5	3.63	.871
Product repositioning	1	5	3.78	.792
Aggregate Score			**3.76**	**0.823**

Source: Survey Data, 2018

The respondents indicated that it was true that product improvement positively influenced performance in Telkom as shown by a mean of 3.97.The new production cost measures and product range extension had a similar mean of 3.81 which means the respondents had a similar view. Product replacement which had a mean of 3.63 indicates respondents agree moderately on how they affect performance in Telkom. The respondents agreed to a moderate extent that that new packaging and design of current and new product through new shape,

colors and volumes had a positive influence on organization performance as shown by a mean of 3.56.

The respondents had different views as indicated by the standard deviations as per the table 4.6 this can be seen from the average score of 0.823. New packaging and design of current and new products through new shape, colors and volume had the highest standard deviation of 1.076 followed by product replacement which had a standard deviation of 0.871.Most of the respondents agreed that product improvement influenced performance in Telkom indicated by a mean of 0.647.

Table 4.7 New packaging and design of current and new products through new shape, colors and volume.

	Frequency	Percent
No Extent	2	6.3
Little Extent	2	6.3
Moderate Extent	10	31.3
Great Extent	12	37.5
Very Great Extent	6	18.8
Total	**32**	**100.0**

Source: Survey Data, 2018

According to table 4.7 86% of the respondent's new packaging and design of current and new products through new shape, colors and volume influenced performance at Telkom at a great extent. This indicates that rebranding by use of different colors in Telkom has to a great extent led to a greater performance.These findings concur with (Walker, 2014) who found out that Product innovations have an influence on organization and its management as it changes relationships among the organizational members, effecting rules, procedures, structures, communications between the members and their environment. Further, process innovations assists companies to improve on quality of their products and services through better use of technologies, equipment's and delivery strategies leading to costs reduction(Sipos & Ionescu, 2015).

4.4Market Innovation and Organizational Performance

The study sought to establish the respondents' views on the importance of market innovation on organizational performance at Telkom Kenya Limited.If the difference between the mean and the standard deviation was more than three, the factor was categorized as high otherwise it was categorized as low. Table 4.10 below illustrates the findings.

Table 4.8: Market Innovation and Organizational Performance

	Min	Max	Mean	Std. Deviation
New Product placement strategies	1	5	3.55	.768
Changing market inclination	1	5	3.72	.888
Entry into new markets	1	5	3.59	.798
Marketing campaigns	1	5	3.50	.916
Offer on new products	1	5	4.09	.777
Promotion activities	1	5	3.59	.837
Changing branding	1	5	3.97	.933
Aggregate Score			**3.71**	**0.74**

Source: Survey Data, 2018

From the findings on table 4.8, the study established that offer on new products had a positive effect on organizational performance as shown by a mean of 4.09. Changing the brand was found to influence how well an organization performed as indicated by a mean of 3.97.Changing market inclination and entry into new markets was also reported to influence the performance of organizations as indicated by the means of 3.72 and 3.59 respectively.

The respondents had different view on their responses as indicated by the average score of stand deviation at 0.74. The changing of brand had the highest standard deviation of 0.933 closely followed by marketing campaigns with a standard deviation of 0.916.Most of the

respondents seemed to agree on new product placement strategies and offer on new products which had the lowest values of standard deviation of 0.768 and 0.777 respectively.

Table 4.9Offer on new products

	Frequency	Percent
Moderate Extent	8	25.0
Great Extent	13	40.6
Very Great Extent	11	34.4
Total	32	100.0

Source: Survey Data, 2018

A majority of the respondents above 74% agreed that offer on new products influence to a great extent the performance at Telkom as indicated in table 4.9. This is in line with the uptake of Telkom products and services as indicated by the 2016-2017 annual report by communications Authority of Kenya. It's also important to note that over 88% of the respondents also agreed that promotion activities influence to a great extent performance of Telkom. This can be explained by the major promotions being carried out by Telkom in a bid to get more subscribers. Changing branding was also agreed by most respondents over 90% that it greatly influences performance at Telkom. In 2017 Telkom changed their brand colors and images to reflect a more dynamic and youthful network for its niche market which is the younger generation.

Market innovations are critical as they contribute to labor productivity through increased sales values due to customers having a better perception of the products and services offered by a firm. This also opens up new markets and channels for distribution thus relating to higher sales brought by productivity through the increased opportunities (Karlsson & Tavassoli, 2015).These findings concur with a study by (Mugo, 2015) in Kenya about innovations and performance revealed that market innovations gave the company's opportunity to market their products via media channels, quick and efficient solutions to

customers, deliveries according to placed orders while enabling them assess new market areas hence remaining competitive.

4.5 Administrative Innovations and Organizational Performance

The study sought to establish the respondents' views on the importance of administrative innovations on organizational performance at Telkom Kenya Limited. Table 4.10 below illustrates the findings.

Table 4.10: Importance of administrative innovations on organizational performance

	Min	Max	Mean	Std. Deviation
New business practices	1	5	3.78	.659
Workplace organization	1	5	3.75	.803
Structures	1	5	3.88	.707
New roles	1	5	3.97	.782
Service planning	1	5	3.84	.808
Automated personnel	1	5	3.56	.716
Management by objectives	1	5	4.06	.759
Job rotation	1	5	3.78	.706
Incentive systems	1	5	4.11	.916
Aggregate Score			**3.85**	**0.761**

Source: Survey data, 2018

From the findings, the study established that incentive systems had a high influence on performance with a mean of 4.11 followed by management by objectives having a mean of 4.06. The respondents reported that structure and new roles had an impact on the level of organizational performance as shown by the means of 3.88 and 3.97 respectively. New business practices and job rotation both had a mean of 3.78 which showed that respondents

saw them equally important on the influence on performance .Finally, the respondents indicated that automated personnel records fairly affected the organizational performance as shown by a mean of 3.56.

The standard deviations as in table 4.10 indicate that the respondent had different views on the influence of different administrative innovations on performance at Telkom. Incentive system had the highest value of standard deviation at 0.961 which indicates how respondents viewed incentive system influence on organization performance. Service planning and work reorganization were second high with a standard deviation of 0.808 and 0.803.

The administrative innovations are crucial in changing an organization, facilitating the external relations of the firm and improving efficiency of the internal processes. Some examples of administrative innovations like the Balance score card and Total quality management ensures that an organization is aligned to the needs of the clients at much lesser costs(Walker *et al.,* 2010).The findings concur with to a study by (Naveh *et al.,* 2006) it was found out that administrative innovations have performance gains when implemented line in line with adaptation and readiness to go beyond the change. In this case organizations are most likely to perform better if they learn as they are strong relationship ties between implementation of the administrative innovations and firm's performance. The findings also confirms findings of a study by (Moreno *et al.,* 2015) administrative innovations are key as they make it possible for firms to understand challenges and build capacities to handle them such as knowledge and training methods development, development of autonomy methods on appraisal on employees performance.

4.7 Organization Performance Measurement

The study sought to establish the respondents' views on the importance of organizational performance measurement on organizational performance. Table 4.11below illustrates the findings.

Table 4.11: Importance of Organization Performance Measurement

	Min	Max	Mean	Std. Deviation
Timely delivery of services	1	5	4.16	.723
Revenue growth.	1	5	4.22	.792
Quality of service	1	5	3.94	.801
Market Share	1	5	3.75	.880
Customer satisfaction	1	5	4.22	.659
Service efficiency	1	5	4.16	.677
Network cost of operation	1	5	4.09	.818
Aggregate Score			**4.07**	**0.83**

Source: Survey Data, 2018

From the findings, the study established that time delivery of services, revenue growth, quality of service, market share, customer satisfaction, service efficiency and network cost of operation are important organization performance indicators. The respondents as per table 4.13 agreed that customer satisfaction and revenue growth were key measurement indicators with both having a mean of 4.22.Service efficiency when adequately measured influenced to a large extent the level of organizational performance as indicated by the means of 4.16. Measurement of market share, Quality of service, and timely delivery of services were also reported as significant performance measures that influence the level of organizational performance as indicated by the means of 3.75, 3.94 and 4.16 respectively. The

measurement of network cost of operation also influenced the level of organizational performance as shown by a mean of 4.09.These findings are consistent with studies by (Njeri, 2017; Tuan, Nhan, Giang, & Ngoc, 2016) who found a strong relationship between innovation strategies and firm performance.

4.8 Qualitative Data Analysis

Qualitative data collected was analyzed and classified into themes. The researcher identified key phrases and words as reported by the respondents as shown below in table 4.12.

Table 4.12: Qualitative Data Analysis

Statement by Respondents	Theme
Duplication of innovation through creative replication of an existing concept.	New techniques
Introduction of 6 Sigma	Process improvement
Branding with Trendy Market solutions	Branding
Introduction of new services like new Mobile money platform.	New services
Marketing campaigns with promotion through social media.	Social Media
Continuous personal development.	Staff development

Source: Survey Data, 2018

4.8.1 New Techniques

Most of the respondents felt that the use of new techniques through use of the existing innovations which can be by replicating an existing concept played a big part in the performance of Telkom. This means that the existing innovations should be leveraged and used to create more solutions which can positively influence performance at Telkom Kenya. The findings agree with a study by (Sipos & Ionescu, 2015) on the influence of different innovation types on performance.

4.8.2 Process Improvement

Some of the respondents indicated that Telkom had introduced mechanisms for process improvement by the introduction of Six Sigma which is a combination of tool and techniques for process improvement.The Six Sigma aims at improvement of the quality of process output through identification of defects and reduction of differences in the manufacturing and business processes.The importance of Six Sigma is that it helps in creating experts within an organization to ensure quality management through defined steps and value targets. These targets include reduction of cycle time,reduction of pollution, reduction of costs,increased customer satisfaction and profit increase.This agrees with a study by (Pande, Neuman, &Cavanagh, 2000) and (Shamsuzzaman, Alzeraif, Alsyouf, & Khoo, 2018) who found out that six sigma cannot be underestimated in telecom service provider business.

4.8.3 Branding

Some of the respondents indicated that the new branding of the Telkom has led to increased performance in the customers view it as a modern and youthful company which understands the market. Telkom recently changed its core brand colors to blue and yellow in an attempt to appeal the younger generation which according to respondents was working according to data from the Communications Authority (2017) figures. These findings are in line with recommendations from a study by (Senguo & Kilango, 2015) on the company rebranding.

4.8.4 Social Media

Mostof the respondents noted that marketing done via social media was proving to be effective with the Telkom targeting the younger generation. The use social media for promotions and marketing has enabled Telkom to reach out to many clients who have responded positively to the brand. An example is the “FormNi50” promotion by Telkom which has become a popular promotion is proof that social media marketing has huge potential for companies.These findings are in agreement by a study by (Keegan & Rowley, 2017)and (Parveen, Jaafar, & Ainin, 2015) who found out that social media influences performance through improvement of customer information accessibility, enhanced customer relations and services and reduction on costs of marketing.

4.8.5 New Services

Some of the respondents indicated that the introduction of new services by Telkom has a huge influence on performance.Some of the new services that Telkom had introduced were T-Kash Mobile Money platform with new features, improved internet Service with introduction of the Telkom 4G Mi-Fi router, better Post-Paid premium rates among others. The new and unique services introduced by Telkom in the telecommunications sector in Kenya has enabled Telkom to get an increase in subscribers thus leading to better performance. These findings are in line withrecommendations by a study by (Njeri, 2017; Onguko & Ragui, 2014)

4.8.6 Staff Development

A majority of the respondents indicated that staff development which is the improvement of skills of employees through training influenced performance in Telkom. The respondents emphasized on continuous personal development which was key in showing commitment to improving performance at the company. Staffs that are keen on personal development are an important factor for a company as they are an inspiration for other employees as their inspirations leads to time and cost saving for a company. These findings are in line with a study by (Dosunmu & Adeyemo, 2018) on continuous learning and development.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary on the analyzed data collected from respondents and conclusion about the variables explored in the study. Recommendations are given based on the conclusions drawn from each of the variables. Suggestions are given on some issues that require further research that were beyond the scope of this study.

5.2 Summary of Findings

The findings of this study conducted in Telkom Kenya Limited had responses from 40 staff members who are at their headquarters with 8 being rejected for being incomplete.The operations management had the most responses of 62.5% showing that they are more operations staff in Telkom than the middle level and senior management.Most of the employees at Telkom had worked for more than 5 years accounting to 71.9% of the total employees.

On whether introduction of improved production improved organizational performance, 78% reported that Telkom Kenya carries out an improvement of the services and products that it produces. On whether changing the business process influence organizational performance, 74% of the respondents surveyed indicated that it significantly influences the level of organizational performance. Further, a reduction in costs was also reported as being essential for improving organizational performance levels.

Product innovation was also found to have a significant positive influence on organizational performance. 85 % of the respondents indicated that using new packaging designs and introducing new products had a significant influence on organizational performance. The findings indicate that 75 % of those surveyed reported improving the quality of products and services significantly influences organizational performance. The findings also reveal that product replacement and product repositioning significantly influence the level of organizational performance as reported by averages of 76% and 79 % respectively.

On the influence of marketing innovation on organizational performance, 72% of the respondents indicated that new product placement strategies had a positive significant influence on organizational performance. Further, entry into new markets and increased marketing campaigns were found to significantly influence organizational performance as reported by averages of 80 % and 83 % of the respondents for the study. 69 % of those surveyed also reported that Introducing new branding was a significant influencing factor on organizational performance levels.

On the influence of administrative innovations on organizational performance, 73% of the respondents indicated that new business practices positively influenced organizational performance. Improving organizational structures and planning how services are offered were also found to have significant influence on organizational performance as reported by 68% and 77% of the respondents respectively. Further, job rotations and incentive systems were found to positively influence organizational performance indicated by 71% and 84% of the respondents respectively.Process Innovation which had a mean value of 4.02 contributes most among the independent variables to improved organizational performance at Telkom Kenya, followed by Administrative Innovation which had a mean value of3.86.

5.3 Conclusion

Based on its findings, the study drew four important conclusions. They are categorized into four main areas in line with the study's objectives. These include Process Innovation, Product Innovation, Market Innovation and Administrative Innovation. The first conclusion is the influencing role of process innovation on organizational performance. The findings of the

study have shown that process innovation has the highest positive influence on organizational performance. Process innovations assist companies to improve on quality of their products and services through better use of technologies, equipment's. Operational efficiency, effectiveness brand image improvement, sales growth and market rank performance are all as a result of process innovation as they enable the organization of firm to launch more enhanced products and services at a low cost which met the needs of the customer.

The second conclusion regards the role of product innovation on organizational performance. The findings of the study established that organizations which actively innovate and come up with new products are more likely to experience improved organizational performance levels. Product innovation is critical to an organization survival and success as it offers unmatched customer benefits, reducing costs substantially opportunity and ability to create new line of businesses which would lead to better performance of an organization.The third conclusion relates to the influence of marketing innovation on the level of organizational performance.

The findings of the study established that organizations which continuously develop new marketing innovations are more likely to experience improved performance levels. Product innovation is a key driver to both economic growth and overall productivity as successful innovations bring up new products and services which create a new market generating business growth while creating customer value. Finally, administrative innovations were found to have a positive significant influence on rotational performance. Administrative innovations are meant to increase a firm performance by reducing costs on administration activities, providing a conducive workplace environment, reducing cost of supplies and acquiring assets that are non-tradable. The key component of administrative innovation is the administrative process which entails a new management system, a new administrative process and a program to develop staff administratively. This element of administrative innovation impacts the organization and its members socially not excluding their roles, procedures, structures in their communication.

5.4 Recommendations for Policy Implications

Based on the findings of the study, the study recommends that organizations need to seriously consider the investigated innovation strategies and implement them in their organizations if they are pursuing an improvement in the levels of their organizational performance. Organizations are persuaded to adopt the innovation strategies within their organizational structures as a way of improving organizational performance levels.

The Management should improve how they deliver their services, change their business processes, and reduce their costs in order to improve their performance levels. Organizations can also redesign the packaging of their products, extend the range of their products and reposition their products in the market as a strategy for improving their levels of performance.Further, organizations need to introduce new marketing campaigns, offer new products, change their branding and enter into new markets as a strategy of improving their organizational performance levels.Finally, the top management should innovate and improve their administrative practices by bringing in new business practices, planning how they deliver their services, manage by objectives, rotate people on their jobs and bring in incentive systems to motivate their employees as strategies for improving their performance levels.

The telecommunication industry should enhance more process innovations and administration innovations with policies incentives of idea formulated and also ensure that they fully involve their employees in their product and services development. The senior management in administration should change and companies in this sector should embrace more administrative innovations that encourage and foster social relations among employees.Finally, organizations in the telecommunications industry are further informed by this study on the way in which they can improve their performance through developing innovations strategies reviewed and tested in this study. This study focused on innovation strategies on performance at Telkom Kenya limited which is one of the main players in the telecommunications sector in Kenya. This study will add knowledge on innovation strategies influence on performance which can be applied to similar firms in the telecommunication sector. The independent variables used in this study will assist other researchers carrying out similar studies to identify key variables in relation to performance in the telecommunication sector.

5.5 Recommendations for Further Research

The study was carried-out in the one organization which was Telkom Kenya Limited and this created a limitation in that the findings may not represent all other organizations in Kenya. The study recommended a similar study in other organizations in the Country to find out if similar results can be replicated. Further studies could carry out a similar study using other variables other than process innovations, product innovations, marketing and administrative innovations.

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https://www.safaricom.co.ke/about/innovation

https://www.safaricom.co.ke/sustainabilityreport_2015/public/uploads/Innovation.pdf

APPENDIX I: LETTER OF INTRODUCTION

Stephen Karanja Wambui
P.O Box Private Bag- 00217
Limuru

Dear Respondent,

I am a student at St. Paul's university undertaking a master's in business administration (strategic management and leadership) option. I have been given the go ahead by the board of Postgraduate studies at St. Paul's University to conduct a research on;

Innovation Strategies Influence on Organizational Performance: A case study of Telkom Kenya Limited.

It should take you about 20-30 minutes of your time to complete this questionnaire. Please note that this questionnaire is anonymous and the findings of it will be highly confidential. Your voluntary participation and answering the questions to the best of your knowledge will greatly lead to the success of this study.

I look forward to your support through answering this academic research.

Thank you.

Yours sincerely,

Stephen Karanja W.

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BOARD OF POSTGRADUATE STUDIES

28th February 2018

National Commission for Science and Technology,
P.O. BOX 30623-00100,
Nairobi.

Dear Sir/Madam,

Re: Recommendation for Stephen Karanja Wambui to conduct a Masters of Business Administration (MBA) research.

This letter confirms the above named person is a second (final) year student of the MBA Programme at St. Paul's University.

The final year consists of a major research work leading to a dissertation comprising 20,000 words. The student's selected topic is *'Innovation strategies and organizational performance. A case study of Sunripe (1976) Limited.*

The research will take place from February 2018 to April 2018.

Kindly grant this student the required permit.

Yours Faithfully,

Dr. Sammy Githuku
Director, Postgraduate Studies

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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NAIROBI-KENYA

Ref: No. **NACOSTI/P/18/87847/21815** Date: **16th March, 2018**

Stephen Karanja Wambui
St Pauls University
Private Bag 00217
LIMURU.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Innovation strategies and organizational performance. A case study of Sunripe (1976) Limited"*** I am pleased to inform you that you have been authorized to undertake research in **Nakuru County** for the period ending **15th March, 2019.**

You are advised to report to **the County Commissioner and the County Director of Education, Nakuru County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nakuru County.

The County Director of Education
Nakuru County.

National Commission for Science, Technology and Innovation is ISO9001:2008 Certified

APPENDIX II: QUESTIONNAIRE

This research questionnaire is for educational purposes and it seeks to establish the innovation strategies influence on organizational performance in Telkom Kenya. The findings of this study will be accorded the highest level of confidentiality and will not be distributed to other parties.

INSTRUCTIONS

1. Read the questions and answer to the best of your knowledge.
2. Do not write your name on the Questionnaire.

SECTION A: BIO DATA

1. Gender

☐ Male ☐ Female

2. Education Level- Highest

High School	☐	Masters	☐
Diploma	☐	PhD	☐
Degree	☐	Other (Specify)…….	☐

3. Position of employment in the organization:

☐ Senior Management 1

☐ Middle Level Management

☐ Operations Management

4. Years of operation at the organization:

☐ 0-5 Years ☐ 6 - 10Years ☐ 11 Years and Above

SECTION B: PROCESS INNOVATION

Process innovations are concerned with the introduction of a unique and improved production or method of delivery

5. To what extent do the following process innovations affect performance in your organization?

   Rate with a scale of 1-5 (with 1= No extent, 2 = little extent, 3 = Moderate Extent, 4 = Great Extent, 5= Very Great extent)

Activities	**1**	**2**	**3**	**4**	**5**
Introduction of improved production					
Improved delivery method					
Reduction of costs					
Conformance to regulations					
Business process changes					
New unique processes introduced					

6. What other process innovations affect your organization performance?

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SECTION C: PRODUCT INNOVATION

Product innovations are concerned with the development of a new product or service that improves usage and service.

7. To what extent do the following product innovations affect performance in your organization?

   Rate with a scale of 1-5 (with 1= No extent, 2 = little extent, 3 = Moderate Extent, 4 = Great Extent, 5= Very Great extent)

Activities	**1**	**2**	**3**	**4**	**5**
New packaging and design of current and new products through new shape, colors and volume.					
Product improvement					
New production cost measures					
Product range extension					
Product replacement					
Product repositioning					

8. What other product innovations affect your organization performance?

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SECTION D: MARKETING INNOVATION

Market innovations are concerned with a better mix of target markets and how these markets can be served better with a purpose of getting more new markets.

9. To what extent do the following market innovations affect performance in your organization?

   Rate with a scale of 1-5 (with 1= No extent, 2 = little extent, 3 = Moderate Extent, 4 = Great Extent, 5= Very Great extent)

Activities	**1**	**2**	**3**	**4**	**5**
New Product placement strategies					
Changing market inclination					
Entry into new markets					
Marketing campaigns					
Offer on new products					
Promotion activities					
Changing branding					

10. What other market innovations affect your organization performance?

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SECTION E: ADMINISTRATIVE INNOVATIONS

Administration innovations are about creation or change in business practices, workplace organization and external relations

11. To what extent do the following administrative innovations affect performance in your organization?

    Rate with a scale of 1-5 (with 1= No extent, 2 = little extent, 3 = Moderate Extent, 4 = Great Extent, 5= Very Great extent)

Activities	**1**	**2**	**3**	**4**	**5**
New business practices					
Workplace organization					
Structures					
New roles					
Service planning					
Automated personnel records					
Management by objectives					
Job rotation					
Incentive systems					

12. Which other administrative innovations affect organization performance?

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SECTION F: ORGANIZATION PERFORMANCE MEASUREMENT

13. To what extent are the following parameters used to rate performance in your organization?

    Rate with a scale of 1-5 (with 1= No extent, 2 = little extent, 3 = Moderate Extent, 4 = Great Extent, 5= Very Great extent)

Organization Performance Measurement	**1**	**2**	**3**	**4**	**5**
Revenue growth.					
Quality of service					
Market Share					
Customer satisfaction					
Service efficiency					

Thank you for taking your time to participate in this study.

The End