STRATEGIC INNOVATION AND PERFORMANCE OF STATE AGENCIES IN KENYA: A CASE OF NATIONAL SOCIAL SECURITY FUND

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DECLARATION

This dissertation is the product of my own work and is not result of anything done in collaboration. It has not been previously presented to any other institution. I agree that this dissertation may be available for reference and photocopying, at the discretion of the University.

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SUPERVISORS' DECLARATION

We confirm that the work reported in this dissertation was carried out by the student under our supervision. This dissertation has been submitted with our approval as supervisors.

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God bless you all

DEDICATION

I dedicate this work to my beloved Wife Winfred, Son Blaire and Daughter Claire for their understanding, support and encouragement they accorded me from start to end. Further my supervisors for their tireless efforts to ensure that the Dissertation supersedes threshold.

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LIST OF ABBREVIATIONS AND ACRONYMS

E and M service: internet and mobile service

Fund: National Social Security Fund

GDC: Gross Domestic Credit

GDI: Gross Domestic Investment

GDP: Gross Domestic Product

GOK: Government of Kenya

HQ: Head Quarters

HQ: Head Quarters

ICT: Information communication technology

ISO: International organization for Standardization

KEBS: Kenya Bureau of Standards

KRA: Kenya Revenue Authority

NHIF: National Hospital Insurance Fund

NSSF: National Social Security Fund

R&D: Research and Development

SAP: Systems Application Product

SPSS: Statistical Package for Social Sciences

SSPS: Social Security pension system

ABSTRACT

State agencies are incorporated entities outside the mainstream civil service established for purposes of public service delivery. NSSF is a state agency which was instituted in 1965 under parliamentary act with a mandate of providing social security to all Kenyan employees through registration, collection prudent fund management and timely payment of benefits. NSSF is currently operating in a dynamic business environment faced with competition and evolving stakeholder needs. It is however a statutory institution which has been monopolized since inception operating under the NSSF Act No. 258 laws of Kenya. With the shifting needs of its customers, economic changes and the need to re-engineer the fund, a Parliamentary process was ignited which lead to the adoption of the new NSSF Act No. 45 of 2013 Laws of Kenya. This Law provided for both mandatory pension and provident fund to all employees unlike the previous act which advocated for mandatory provident fund only. Pension Schemes are secondary pillars of Social Security and were initially provided by private players in the industry, therefore, to safeguard the existence of these Companies, the new Act provided for the option of members to opt out of the NSSF pension fund and join any provider of choice. This opened a window of competition between the fund and the private pension providers. This necessitates the need of NSSF to implement strategic innovations in a rate which matches the evolving and dynamic business environment in which it operates in. The purpose of this study was to assess the effects of strategic innovation in performance of state agencies in Kenya. Descriptive research design was used where the target population was567 employees of NSSF within Nairobi region. A representative sample of 175 subjects was selected for the study. 122questionnaires were collected. Stratified random sampling method was employed to sample responses. Both Primary and secondary data were used. Primary data was collected using questionnaires. Secondary data was obtained at the regional headquarters during preliminary study. Data was analysed descriptively using percentages, mean and frequency distribution tables with graphical presentations using SPSS. The study established that 53% of respondents were aware of innovative solutions in the fund as majority 54.9% new that strategic innovation was very important. Further the study indicated that the fund had achieved improved levels of performance through innovations in terms of Competitive advantage, increase in revenue growth, growth in market share, increased customer satisfaction, reduction in operational cost, and improved service delivery however innovations unsuccessfully lead to improved range of products.

CHAPTER ONE

INTRODUCTION

This chapter presents a brief introduction and background of strategic innovation. An overall background of the study has been clearly defined, problem statement, objectives, and limitations. Further, the researcher has put strategic innovation into context and why the issue has emerged as a topic of importance to the researcher.

1.1 Background of the Study

In an increasingly changing global business environment full of changing customer's needs, competition, and environmental demands, it is becoming clear that strategic innovation is not only pivotal for organizations to gain competitive advantage but also for their survival in the market place (Klein,Conn & Sorra, 2001). In the past, innovation had a core motive of gaining competitive advantage however; strategic innovation is no longer an issue of competitive advantage, but rather a matter of survival. Company sustainability can only be achieved by thinking ahead and finding new solutions like development of new products, revitalization of business models and organizational developments (Onodera, 2008).

Companies can achieve sustainable competitive advantage through strategic innovation which can be approached in its broadest sense, such as development of new technologies and devising new ways of doing things by incorporating views of external stakeholders with an aim of creating value. Strategic innovation has not characteristically been given high priority in the public sector (Porter, 2001). In addition, up to date, the incentive to innovate for public sector Organizations and their employees has been low while the risk associated with innovation has been high. It is thus not surprising that innovation in this sector has not gained prominence as expected (Bhatta, 2003).

According to Mulgan and Albury (2003) strategic innovation in the public sector is viewed as an option rather than a core activity that is both necessary and of significant value. However, public Organizations touch the interests of so many and are often entrusted with socially important tasks therefore innovation in this sector is crucial. As such innovation ensures all the stakeholders'

needs are articulated and resolved. This results to creation of value in service delivery. Failure to strategically innovate or distorted innovation in public services entails a correspondingly large surrender of potential benefit for the public (Borins, 2002).

The Kenya Government has been implementing the Economic Recovery Strategy for Wealth and Employment Creation since 2003, as its Medium-Term Plan to address development challenges of economic growth and poverty alleviation. In its long-term development strategy, outlined in Vision 2030 (GoK, 2007).The Kenya Vision 2030 is the master development blueprint in the country. Its main goal is to attain a middle-income nation status that will not only be globally competitive and prosperous, but will also accord high quality of life to her citizens. It is anchored on three pillars: economic, political and social. It is implemented in successive five-year medium-term plans, the first one having covered the period 2008 -2012, while the current one covers the period 2013-2017.

The economic pillar aims at providing prosperity of all Kenyans by realizing an average Gross Domestic Product (GDP) growth rate of 10 % per annum. The political pillar aims at realizing a democratic political system founded on issue - based politics that respects the rule of law (Gok 2008).The social pillar strategy within the Kenya Vision 2030 has incorporated the environmental sustainability component of sustainable development. It has also incorporated the concepts of equity, participation and social cohesion from which the key priority sectors for development are derived (Gok 2008). NSSF is a flagship project under social pillar in Vision 2030. It is required to provide affordable housing to Kenyans. To actualize its role, it must deviate from the norm and adopt strategic innovations.

1.1.1Strategic Innovation

To understand strategic innovation, the study borrows its content from the discipline of strategic management. According to Pearce & Robinson (2010), strategic management is a set of decisions and actions that result in formulation and implementation of plans designed to achieve Companies 'objectives. It is that set of managerial decisions and actions that determines the long-run performance of an Agency. Strategic Management allows firms to anticipate changing conditions. Business changes have increased in the recent past at an alarming rate rendering firms to react to change and be proactive for their survival (Thompson, Strickland & Gamble,

2010). Further, Hamel (2000) suggests that strategic innovation is the capacity to re conceive the existing business model in ways that create new value for customers and stakeholders.

1.1.2 Concept of Strategic Innovation

Innovation involves the ability at an organizational level to maintain a flow of internally and externally motivated new ideas that are translatable into new products, services, processes, technology applications, and or markets. Thus, managers continually champion new approaches to segmentation, pricing, use of the brand, packaging, customer relationship management, customer credit, logistics, customer communication, and service levels, among other operational activities. Consequently, entrepreneurial marketing encourages innovation and creates and renews competitive advantage through customer value propositions in current and new markets (Thomas *et al*.2013). Further Polevoi (2013) adds that it is very important for a business to exploit new prospects and possibly gain competitive advantage through market, process and product innovation.

However, Alexander (2004) observed that the term innovation runs in all the definitions but they do not agree on questions about the nature of newness. This point was further noted by Slappendel (2006) to warrant clarifications since it is important to distinguish innovation from mere change because all innovation presupposes change, but not all change presupposes innovation. Further, he observed that most definitions do not addresses the degree or extent of newness that constitutes an innovation and also the question of whom the innovation is new to has rarely been discussed. As a result of the importance of a firms innovation process, Miles (2004) points out that the preparation of innovative strategies must be purposeful and must be based on analysis of internal and external environment, planning and innovative design. During the process of strategic analysis and planning, it is essential that the company adopts appropriate methods of strategic management and that the strategic management process is scientific and considers organizations' technical capabilities, level of competition existing in the business environment as well as the manufacturing company's potential in both human, material and financial resources.

Strategic analysis of responses to important questions such as the existence of their own original research and development enterprise, the existence of new opportunities for the development of

innovation, the existence of creative potential for the development of inventions and the like will also need to be considered by the firm (Afuah, 2003) According to Phillips (2010) many organizations turn to innovations as a result of reacting to variations in their external environment and a desire to attain market leadership. Most of innovating companies strive to capture the attention of consumers by creating fresh an exciting products or solutions to certain problems or identify opportunity (Phillips 2010). Further, Fiore (2012) pointed out that innovation is also motivated by the need to reduce on cost particularly in terms of improvement to production, logistics and retailing processes.

1.1.3 Organizational Performance

According to Machuki and Aosa (2011), organizational performance refers to the achievement of an organization in respect to some set criterion. An organization represents a voluntary association of production assets which include human resources and capital resources with a prime motive of achieving organizational goals through shared purpose (Barney, 2001).According to Machuki and Aosa (2011) the effectiveness of and an organization is indicated by its performance. Further they added that organizational performance can be measured by indicators such as its effectiveness, financial performance, efficiency in service/product delivery and its give back to stakeholders. Organizations has diverse roles and responsibilities therefore presenting a multidimensional construct. This presents performance measurement challenges hence no single operational measure can be used independently (Richard, Devinney, Yip and Johnson 2009). March and Sutton (1997) urged that multi dimensions in organizations is a symbol that organizational purpose cannot be portrayed in singular or as a unit.

Barney (1991) asserted that conceptualizing and measuring performance has not been a simple undertaking. Armstrong and Baron (1998) characterized performance as a way of dealing with conveying managed accomplishments. Javier (2002) acclaimed that performance of an organization is proportional to economy, efficiency, and effectiveness of a particular organization. Efficiency is the cost per unit of output that is much less than the input with no alternative method while effectiveness is concern with the unique capabilities that organizations develop to ensure achievement of their missions.

Firm's performance provide useful information for monitoring and control, improvement, maximization of effectiveness of improvement efforts, reward and discipline and as a lever of aligning organizational goals and objectives (Drucker 1985).Profits, growth, balance scorecards, economic value added, activity based analysis and customer satisfaction are some of the frameworks that several scholars proposed as effective in undertaking firm performance (Hitt, 1988). This study will measure performance in terms of customer satisfaction, competitive advantage, range of products, improved service delivery, growth in revenue, growth in market share. This is consistent with Kantor (2001) who affirms that some of the frequently used performance measures include market share, profitability, growth, competitive position and stakeholder's satisfaction. Further Kim and Mauborgne (1999) argued that the above dimensions are holistic representation of a firm's performance.

A firm's profitability metrics is used to demonstrate the extent to which a company has been efficient in its operations over a given period. Some of the common parameters under the firm's profitability metrics include return on resources, return on value, rate of return on investment and net wage over incomes (Santos & Brito, 2012). A firm's market share is the percentage of the markets total sales earned by a particular firm over a specified period of time and is given by dividing firm sales by total sales of the industry for a given period (Angelova & Zeqiri, 2011). Market share is used as a measure to gauge a firm's size in relation to competition in the market.Customer satisfaction is a measure that determines how products or services offered by the firm meet and or surpass their expectations. It is indicated by repeat customers, increase in referrals, increased brand loyalty, customer assessment and feedback, and decrease in number of customer complaints received over a particular period (Angelova & Zeqiri, 2011).

1.1.3 Strategic Innovations and Organizational Performance

According to Walker (2004), there are several dimensions of innovation to performance. Innovative performance, production performance dimension looks at what extent and organization has adopted innovations. Market performance dimension extrapolates on how innovative an organization is in terms of marketing mix. Financial performance dimension looks into the specific innovations an organization adopted to account for a specific performance. Innovation has a tangible effect on the overall performance of any organization. It helps to improve market position, competitive advantage and superior industry leadership (Walker,

2004). Several studies on the relationship between innovation and performance provided a positive relationship leading to increased corporate performance to improve on organizational profitability an organization must enhance its innovative ability (Dobni, 2006).

Talke, Salomo and Kock (2011) observe that strategic innovation is crucial in driving firm performance. Strategic innovation orientation provides a collective guidance and direction that drives a firm to achieve sustainable competitive advantage. Firms with a proactive market orientation are suggested to strive more for discovering and satisfying unarticulated, emerging needs of customers than customer-led firms that only listen and respond to expressed needs of current customers (Kemoli 2012). Buzzavo (2012) asserts that strategic innovation is at the heart of the competitive game among business firms. He argues that firms that are strategic innovators pursue strategies that blend efforts aimed at improving what is being practiced at present with attempts to achieve performance improvements through leaps and breakthrough. The consequential effect of such efforts is a competitive edge that the firm can use to leapfrog rivals. The competitive advantage created by the strategic innovation brings value to the customers. This value can only be enhanced if it is perceived to be non-imitable, substitutable and rare that eventually differentiates the firm from the rest of the competitors (Barney, 2007).

1.1.5 National Social Security Fund

The National Social Security Fund (NSSF) is a State owned statutory agency which was established in, 1965 under the NSSF Act CAP 258 (now repealed) of the laws of Kenya which created the mandatory Social Security Provident fund. Later in 2013 the establishing Act was repealed and the new NSSF ACT No. 45 of 2013 Laws of Kenya came into force. This Act establishes the Provident fund and the Pension fund. The Pension fund is mandatory to workers in the formal. The provident fund is voluntary and covers all the self-employed. The Fund is tripartite body owned by the Government, Workers and Employers (NSSF Guide book, 2015).

The main objective of setting up the fund was to provide social security to members through registration, collections, prudent funds management and timely payment of benefits to its members. The Mission of the Fund have since been revised to providing social security to members through enhanced coverage, efficient registration and collections, prudent fund management, competitive benefits and exemplary governance. (NSSF Guide book, 2015). The Fund has been bestowed with the

responsibility of providing social security to all. This is through providing platforms for workers to make adequate contributions during their productive life to cater for their livelihood in old age and the other consequences resulting from their old age, death, invalidity and immigration (NSSF Guide book, 2015). According to the Sec 43 (1)(e) of the Constitution of Kenya, every Kenyan has a right to Social security and article 21 of the constitution of Kenya commits the State to take whatever legislative, policy and other measures necessary, including the setting of standards to ensure effective and efficient provision of social security. It is through this Constitutional requirement that the Fund was created.

1.2 Problem Statement

According to Edward (2008), the public sector comprises a system of public institution that affect people's day to day lives in many different ways. These institutions include political institutions and structures that determine and implement laws. Bhatta (2003) argues that strategic innovation has not characteristically been given high priority in public sector and that to date incentive to innovate for public sector Organizations has been low while the risk associated with innovation is perceived to be high. It is thus not surprising that innovation in this sector has not gained prominence as expected.

Studies have being conducted on the areas of strategic management and performance on public sector. Ongeti (2014) established that organizational resources had an influence on performance of Kenyan state owned corporations while Mkalama (2014) found that top management demographics have an influence on performance of the same organizations. Similarly, Gachunga (2010) studied the effects of performance management systems and perceptions of organizational justice in Kenyan state owned corporations. Further Lilly and Juma 2014 studied the influence of strategic innovation on performance of commercial banks in Kenya and found out that products, market, organizational and process innovation have significant influence on performance of banks. From these studies, it was warranted that the effects of innovation on performance of state agencies needed to be researched on to explain the performance of state agencies.

National Social Security Fund (NSSF) as a non-profit public institution that operates under a dynamic business environment faced with emerging developments and stakeholders' needs. There is therefore a need for NSSF to change its game strategy through adoption of strategic innovations in order for her to gain a sustainable competitive edge in the market place. It is apparent that NSSF is a key

economic player in the country being one of the most prominent financial pools in the country. Its core mandate is the provision of basic social security to all. It ensures circulation of finances in the market, supports the vulnerable and the Government in terms of investments. NSSF achieves its financial goal through prudent fund management. It has overseen efficient and effective portfolio management ranging from international deposits, real estate, and Stock market. More efficient innovations into this institution can revolutionize the economic status of the county and significant improvement in the living standards of Kenyan citizens (Hazina, 2015).

1.3 Purpose of the Study

The purpose of this study was to assess the effects strategic innovation on the performance of state Agency. The study focussed on National Social Security Fund (NSSF) which is a State agency in the Ministry of Labour and Social Security.

1.4 Research Objective:

The general research objective was to assess the effects strategic innovation on the performance of state Agency

1.4.1 Specific Objectives*:* -

i. To establish the effects of product innovation on performance of an agency
ii. To establish the effects of process innovation on performance of an agency
iii. To establish the effects of organizational innovation on performance of an agency.
iv. To determine the effects of marketing innovations on the performance of an Agency
v. To ascertain the effects strategic innovation on performance of state agency
vi. To assess the effects of Government regulations and political influence on moderating moderate strategic innovation in state Agencies.

1.5 Research Questions

i. How does product innovation affect the performance of an Agency?
ii. How does process innovation affect performance of an Agency?
iii. What are the effects of organizational innovation on performance of an Agency?
iv. What are the effects of marketing innovations on the performance of an Agency?
v. How does strategic innovations affect performance of state agencies?

vi. How do Government regulations and political influence moderate strategic innovation is state Agencies?

1.6 Rationale for the Study

The mandate of NSSF as provided for in the NSSF Act No. 45 of 2013 laws of Kenya is to provide Social Security through enhance coverage, expedited registration, collection, prudent fund management and payment of competitive benefits to its members. Under vision 2030, NSSF is also mandated to facilitate provision of Housing as a basic social need. Social security under section 43 (e) of the Constitution is a fundamental human right (GoK, 2007).

Adoption of strategic innovation in this organization should match the evolving dynamic business environment in order to actualize its core mandate. However, this may not be the case since NSSF is an Agency under the public sector where strategic innovation has gained minimal or no prominence. It is in this regard that the study will interrogate the affects strategic innovation in the performance of State Agency.

1.7 Significance of the Study

To the government: The study was to benefit the Government of Kenya, especially the Ministry of Labour and Social Security in making policy decisions whose overall objectives are to accelerate the rate of innovation in state Agency.

To the management of National Social Security Fund: The study focussed to identify the effects of strategic innovations and how they impact on the overall performance of the. The recommendations forms part of the action plan that will help in enhancing good innovation strategies in NSSF.

To other state Agencies: The study forms a source of information and methodologies on strategic innovation that could be replicated for successful institutionalization of strategic innovation.

To Scholars: The increased the body of knowledge to the scholars on management and institutionalization of strategic innovation in Agencies and solving factors that may affect institutionalization of strategic innovation thereof.

1.8 Scope of the Study

The study focussed on the effects of strategic innovations in state Agencies and recommendations thereof. It was undertaken in National Social Security Fund, Head office and Nairobi region Nairobi, Kenya. It involved top level management, middle level management, lower level management and union represented staff. It projected to take two months from data collection stage to the compilation of the final report.

1.9 Limitations of the Study

Due to the sensitivity of information that is required the researcher encountered some level of difficulty in acquiring some of the information due to employee's fear of victimization and lack of cooperation. To ensure the success of the study, the researcher assured the respondents that confidentiality will be maintained. In addition the respondents were re-assured that the study was purely for academic purposes and anonymity will be observed.

1.10 Definition of Terms

Customer Value Preposition: This is when customers perceived benefits of products and services exceed the cost of benefit (Kotler, 2005)

Game Strategy: It is the set of activities that create and or capture customer value preposition in new ways (Afuah, 2009).

Innovation: It is an idea, practice or object that is perceived as new by an individual or other unit of adoption (Gole, 2005)

Strategic Innovation: It is creation of growth strategies, new product categories, services, or business models that change the game and generate significant new value for customers, stakeholders at large and the Agency. (Palmer & Kaplan, 2007)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines what various scholars and authors said about strategic innovation, innovation process and also the challenges of strategic innovations in public organizations. It is divided into three main areas: concept of strategic innovation, innovation process and the factors affecting the strategies of innovation.

2.3 Theoretical Review

Theoretical framework enabled the researcher to conceptualize the topic in its totality. This research was based on diffusion of innovation model, disruptive innovation theory and Palmer and Kaplan innovation point model in an attempt to assess factors that influence strategic innovation in organizations (Cooper & Schindler, 2003).

2.3.1 Rogers Innovation Diffusion Theory

According to Rogers (1995), innovation diffusion theory proposes that there are five attributes of an innovation that affect adoption: relative advantage, compatibility, complexity, trial ability, and observability. Relative advantage is the degree to which an innovation is perceived as being better than the idea it supersedes. Compatibility is the degree to which an innovation fits with the existing values, past experiences, and needs of potential adopters (Greenhalgh, Hauknes, Miles, Røste, 2004). Complexity is the degree to which an innovation is perceived as difficult to understand and use. Trial ability is the degree to which an innovation may be experimented on a limited basis. Because new innovations require investing time, energy and resources, innovations that can be tried before being fully implemented are more readily adopted. Finally, observability is the degree to which the results of an innovation are visible to the adopters. If there are observable positive outcomes from the implementation of the innovation then the innovation is more adoptable (Rogers, 2005).

NSSF like any other organizations should evaluate their strategic innovations in this manner by evaluating their relative advantage, compatibility, complexity, trialability, and observability. According to Rogers (2003) strategic innovations with relative advantage should be adopted and those that offer no relative advantage be ignored. The strategies developed should be clear,

unambiguous advantage over the previous approach to be more easily adopted and implemented. This will improve the Company's competitiveness on the market. In the same spirit, strategic innovations developed should fits with the existing values, past experiences, and needs of potential adopters of the Company if they are to be implemented successfully.

Time is also a key factor on innovation of diffusion theory, it is termed as the rate of adoption. The rate of adoption is the relative speed with which an innovation is adopted by members of a social system. The rate of adoption is usually measured as the number of members of the system that adopt the innovation in a given time period. The rate of adoption is influenced by the five perceived attributes which include Innovators, early adopters, early majority, late majority and laggards (Greenhalgh *et al*., 2004).

2.3.2 Disruptive Innovation Theory

Disruptive innovation theory places much more emphasis on products or services which are simpler and cheaper than existing ones in market. On the other hand, open innovation is considered as the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation respectively (Greenhalgh *et al*., 2004). From this, it is expected that firms cooperate and willing to exchange knowledge with externals as a possible way toward open innovation. However, it is also important as noted by Enkel *et al*., (2009) that the organizational management understands the management of innovation because too much openness is dangerous, as it could lead to a loss of core competences.

According to Zhou (2006), though creative innovation has made more contributions to sustaining competitive advantage than imitative innovation, they acknowledged that most innovations are actually imitative and indeed imitation is a better choice to make to gain competitive advantage than creative innovation, especially in a few specific industrial environments. He further laments that the content of imitative innovation is a fundamental issue in terms of technology innovation; though, the issue has generated relatively few discussions in the considerable amount of literature available regarding technology innovation.

2.3.3 Innovation Point Model

According to Palmer and Kaplan (2007), innovation point model, an organization moves beyond an

ad hoc approach to innovation when it begins to develop and institutionalize a cultural outlook and a set of processes that support repeatable, sustainable Innovation. This begins by focusing on industry foresight which provides a perspective to understand the complex forces driving change, including emerging and converging trends. An organization should also assess its readiness by finding out whether it has a set of internal capabilities, organizational competencies and assets that could potentially be leveraged to deliver value to customers. This then becomes a foundation for ongoing competitive advantage (Palmer & Kaplan, 2007).

2.3.4 Resource Based View

This theory stipulates that the drivers to a firm's competitive advantage and superior performance are majorly related to the organizational resources and capabilities which are valuable and costly to copy (Peter & Bergen, 2003). Further, resource based view argues that any firm is essentially a pool of resources and capabilities which determine its performance and if all firms within an industry have the same pool of resources and capabilities, they all create the same value and thus no competitive advantage is available in the industry. The basis of this theory is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities which may often be implicit or intangible in nature (Barney, 1991).

According to Thompson *et al (*2012) this theory determines if a firms package of resources and their configurations are the sources of a firms competitive advantage and to what extent the process of customer value creation is resource dependent. The process of customer value creation involve how an organization combines its core competences and merge its activities with competitive resources to create value for customers through differentiation, low cost and superior customer focus through better customer responsiveness. Further, Gaya, Struwing and Smith (2013) argued that resource based view theory can explain the variances in performance between firms as Barney (1991) asserted that the theory recognizes a firms physical resources as determinants of performance, it places primary emphasis on the intangible skills and organizational resources of a firm. Some of these intangible resources may include market assets such as customer satisfaction, brand equity and intellectual property.

2.4 Innovation Process

According to Von-Hippel and Katz (2002), an innovation strategy is an incremental process that is functional and predetermines governing the allocation of resource to different types of innovations in order to achieve a company's overall corporate strategic objectives. It is also a decision framework guiding a company about when and how it should selectively abandon the past and change its corporate strategy and objectives in order to focus on the business of the future.

Innovation strategy is an integral part of an overall organizational strategy that promotes innovation objectives. They highlighted the need to consider a range of factors in order to find the balance between the potential for innovation, growth of the enterprise and all relevant factors of the internal environment. Indeed, a successful innovation strategy must have variants, in which it reflects the past, current and expected future developments. The strategy should consider long term effects, taking into account all relevant factors acting on the business as well as the time factor. A proper implementation of innovation strategy is necessary to ensure all available resources are linked with corporate strategy and other departments' objective (Njoroge 2012).

Strategic innovation is a logical process which involves a deep routed enquiry of mental models that dictate the behaviour of an individual or organization. A mental model involves individualized beliefs on different issues. Organizations conceive certain models that amount to organizational culture, routines, and unwritten rules of behaviour. These models allow processing of information and quick decision making however they can hinder active thinking and adoption of new ideas because they act as filters that screens information (Hamel & Prahalad, 2008). Even with a clear innovation strategy, very few public sectors today have an explicit strategy on how to address innovation. Governments around the World are beginning to look at innovation strategies at different levels with different scopes (Mulgan & Albury 2003).

2.5 Types of Innovation

OECD Manual (2005) discusses four different types of innovation which include product innovation, process innovation, marketing innovation and organizational innovation. A product innovation is the introduction of a good or service that is new or significantly improved in regards to its characteristics or intended uses. Product innovations can utilize new knowledge, technologies, or can be based on new uses or combinations of existing knowledge or technologies. Product innovation is driven by

advancing technologies, changing customer needs, shortening product life cycles, and increased global competition (Akova *et al*., 1998).

A marketing innovation is the implementation of a new marketing method involving reasonable changes in product design or packaging, product placement, product promotion or pricing (OECD Manual, 2005). Marketing innovations target at better address of customer needs, exploiting new markets, or newly positioning a firm's product on the market with the intention of increasing firm's sales. Marketing innovations are strongly related to pricing strategies, product package design properties, product placement and promotion activities along (Kotler, 1991).

Process innovation involves the execution of notably improved production and delivery methods such as notable changes in techniques, equipment and even software (Cooper, 2009) Further process innovation involves the implementation of a new or improved production or delivery method. This includes significant changes in techniques, equipment and or applications. A process innovation is intended to decrease unit costs of production or delivery, to increase quality, or to produce or deliver new or improved products (OECD Manual, 2005). According to Atandi and Bwisa (2013) a major relationship linking new technology and business performance is found where new technology is used as a proxy for the process innovation.

Organizational innovation involves the adoption a new ways of a firm's business practices, its organization and relationships management. The prime motive of organizational innovations is to improve on a firm's performance by increasing revenue through reducing costs both administrative and operational, improving employee satisfaction, and access to credit (OECD Manual, 2005). Organizational innovation however is not limited to financial gains but also proper management of organizational knowledge trainings based on needs for employee development, employee retention and supply chain management knowledge management. Organizational innovations therefore complements a firms leadership efforts of improving its day to day routines, procedures, systems, information sharing coordination, collaboration, learning, and innovativeness (OECD Manual, 2005).

2.6 Empirical Review

According to Drucker (2001), innovations are meant to provide organizations with strategic orientation to overcome problems they encounter while striving to achieve sustainable advantage.

Schumpeter (1994) described different types of innovation: new products, new methods of production, new sources of supply, the exploitation of new markets, and new ways to organize business. According to Fagerberg *et al*. (2004), the key reason for innovativeness is the desire of firms to obtain increased business performance and increased competitive edge.

A study conducted by Centre for Governances and Development (2005), on decade of parastatal waste targeting state enterprises indicted that the scale of Government involvement in economic development through state owned enterprises since independence has not been matched by performance commensurate with expectations and volumes of investments made in these enterprises. These state owned enterprises though accounted for creation of many jobs however they remained to be a leading net drain of funds from the exchequer. The Government has had to continually bail out loss generating parastatals. Further a study conducted by the World Bank (2002) on state owned enterprises illustrates this point. The bank evaluated state owned enterprises on a range performance benchmarks on their contribution to gross domestic product, gross domestic investment, domestic credit, employment and contribution to the government revenue. These indicators showed substantial contribution to economic contribution with GDP of 11.6%, GDI of 24.67% and GDC of 5.6%.

Studies have been conducted locally by a number of researchers on various topics of innovations. Aswani (2010) carried out a study on strategic innovations and performance of public universities. The study concluded that there exist a positive relationship between strategic innovation and performance of public universities. Kemoli (2010) carried out a study on strategic innovations and performance of commercial banks listed in NSE. The study concluded that listed commercial banks had deviated from the existing industry rules and engaged in creation of new and significant customer value and that strategic innovation was embedded in their corporate strategy. Karanja (2009) carried out a study on innovation strategies adopted by insurance companies in Kenya. The study concluded that companies with strong technology-enabled innovation strategies are more likely to secure competitive advantage and create superior shareholder value.

Lusweti (2009) reviewed innovation strategies adopted by radio stations in Kenya. This study concluded that innovation strategies are very essential in any business and hence they should be put in place at any cost since it helps the organization to realize their objectives. As far as analysis of

strategy is concerned, the adoption of strategies (whether collaborative or competitive strategies) is thus important in managing innovation and in making the innovation happen. Odhiambo (2008) carried out a study on innovation strategies at Standard Chartered Bank and concluded that with the advent of globalization, financial institutions have been forced to improve their ways of doing business in order to attract and maintain existing customers.

2.6.1 Cases of Strategic Innovation

According to Moeller, Stolla and Doujak (2008), between 1990 and 2000 many institutions went through re organization and downsizing as they seek new ways of future growth. These led to introduction of new business models to search and explore new means of growth. Moeller Hauknes, Miles, Røste, (2008) offered ways of building business growth in established companies by illustrating prototype situations of strategic innovations. Such ways included a market leader using new business models to attack different market segments, defending themselves against new market entrants and diversifying via strategic innovation.

Strategic innovation seems to be a consistent pattern across many industries and is mostly pursued by start-up companies striving to enter into business and to out-compete the incumbents. The track record of start-ups in the field of creating new businesses is legend: eBay, Google, Yahoo, Amazon, YouTube, MySpace, AOL, Skype in the recent years or Microsoft, Sebell or SAP are examples from the IT/Internet industry. However, also in more traditional, bricks-and-mortar business, it are mostly newcomers that account for the creation of new businesses and markets, like Starbucks, Red Bull or Southwest Ryan Air (Moeller *et al*., 2008).

2.6.2 Case study of Successful Strategic Innovation in Kenya

Until 1998, the Kenya Posts and Telecommunications Agency (KPTC) was a monopoly providing all telecommunication services; it was established after the East African Community broke up in 1977. In 1998, Kenya's Parliament enacted the Kenya Communications Act (KCA, 2008) to regulate the communications sector. Today, it is still the only national fixed telecommunications services operator. In September 2007, Telkom was also granted a mobile license and began offering those services which operated as a duopoly with Safaricom and Celtel taking the lead since 2000.

However, Safaricom dominated the market and become a market leader in mobile telephony because of its ability to innovatively lead forward to pursue uncontested markets. Safaricom launched M-PESA in 2007 which was an innovation that was incubated at Vodafone, Safaricom's parent company in the UK. The pilot implementation began on October 11, 2005 with few partners like Faulu Kenya, a leading microfinance institution in Kenya, and the Commercial Bank of Africa, which provided the traditional banking infrastructure Technology and innovation often catch on ahead of regulation. M-PESA's growth is a classic example. Within the first eight months after its launch in March 2007, M-PESA announced a subscription base of 900,000 users and 1,200 agents operating nationwide. Meanwhile, a total of Kshs. 4 billion had been transmitted, with an average transaction value under Kshs. 5,000. In April 2008, Safaricom's CEO reported that M-PESA had well over two million active subscribers, transmitting over Kshs100 million a day. This was just over a year after M-PESA was launched. Three months later, at the end of July 2008; M-PESA had 3.6 million users, and was adding 10,000 new registrations daily (Hughes & Lonnie, 2007)

2.7 Conceptual Framework

According to Kotler (2005), a conceptual framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical or synthetically aspects of a process or system being conceived. The interconnection of these blocks completes the framework for certain expected outcomes.

2.7.1 Independent Variables

In the study, different types of strategic innovations constituted the independent variables. Strategic innovation can either be product, process, organizational or marketing. For this study these innovations were operationalized to specific elements for ease of examining. Product innovation can take either of the following forms; development of new products, improving of existing products and or improvement of service delivery. Process innovation was operationalized as the adoption of new systems, upgrade of existing systems and reduction of bureaucracy. Further innovation can take the form of marketing innovation which may involve promotions, introduction of new products, product design and product placement. Lastly organizational innovation can be employed either as adoption of need based trainings, changes in procedures and organizational structures.

2.7.2 Dependent variables

The outcome of institutionalizing strategic innovation in an organization should result into long term opportunities in terms of market share and, new uncontested competitive space through creation of customer value preposition (Palmer & Kaplan, 2007). The outcome of NSSF institutionalizing strategic innovation will be to have an improved performance. To measure performance various key issues were considered which included customer focus, competitive advantage, and range of products, improved service delivery, growth in revenue and growth in market share. The outcome of these independent variables are however moderated by certain environmental concern mainly Government regulations and political influence.

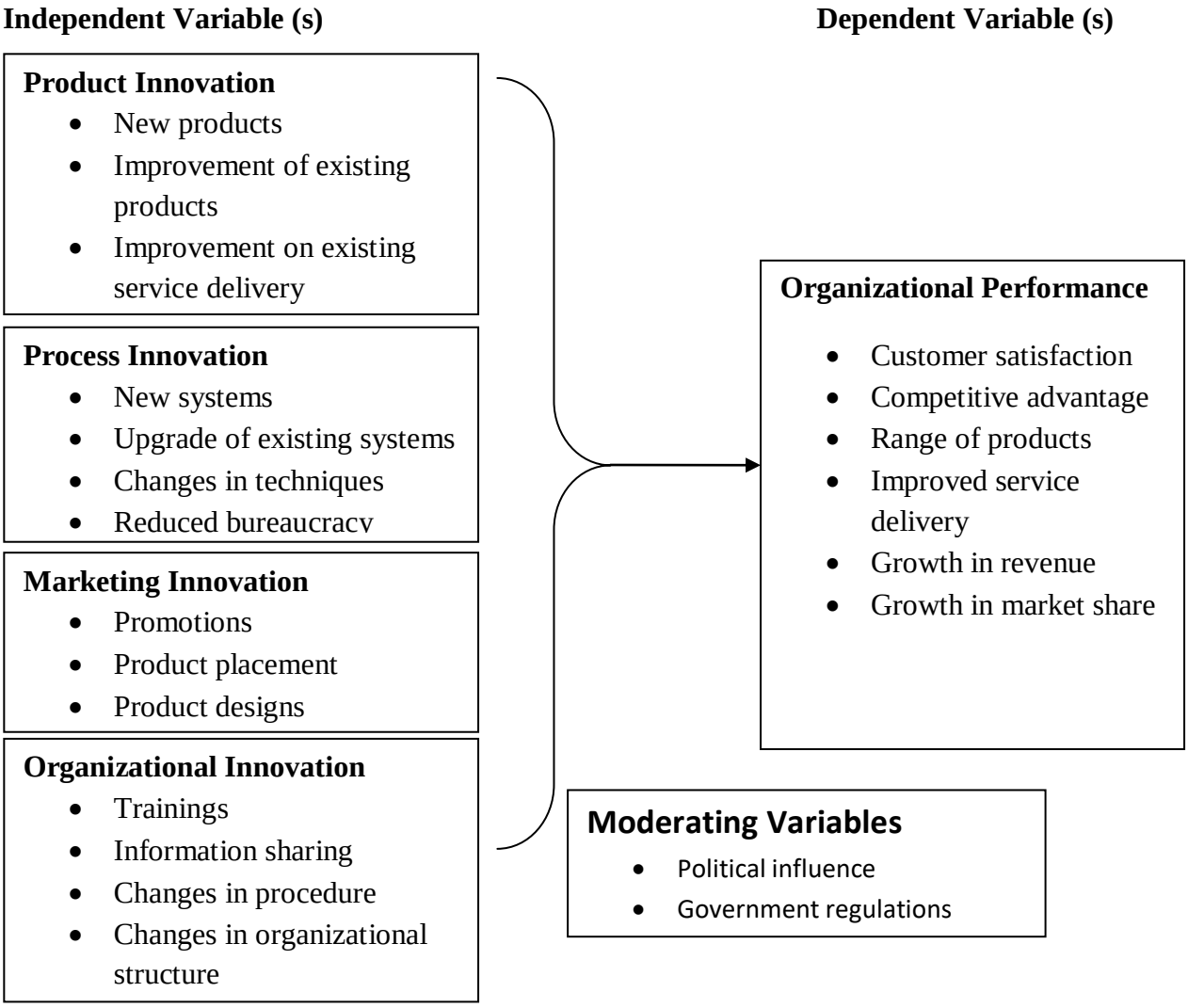


Figure 2.1: Conceptual Framework

Source: Author, 2017

2.8 Intervening/Moderating Factors

These are macro factors which are presented by the external environment to a firm. For this study two were selected including Government regulation and political influence

2.8.1 Government Regulations

As a state Agency, NSSF is governed by Government rules and legislations. This are the rules within which the Company operates. As much as the rules and regulations help the company runs its operation they may also inhibit the free thinking and creativity in an organization especially since they are already legislated and there is no room for flexibility. For instance, the mandate in which the Company operates.

2.9.2 Political Influence

According to Windrum and Koch (2008), public scrutiny can lead to innovations. New political decisions on services based on public discontent, pushes organizations to implement new services or processes of delivery. Further, Windrum and Koch (2008) adds that the innovations initiated at political level tend to be general in nature taking the form of genetic political goals, rather than detailed changes in specific services. The rate of adoption of strategic innovations depends largely on the laws of the land. NSSF is a state Agency governed by government rules and regulations which may largely affect the rate at which strategic innovations are implemented. Since the top management positions in the organization are appointed by the president through the minister, politics play a key role in strategic innovation.

2.10 Summary of Literature Review

To gain and retain necessary acceptable performance, an organization should continuously be innovative. This will involve earmarking adequate resources; both financially and human resources, to the research and development departments as well as the organizational leadership taking a pivotal role in the actual innovation process and also marketing of its products. However, organizations are faced by several challenges in their innovation processes and also marketing of the same products. As a result, it is important for an organization to identify the particular challenges that affects its' innovation process and from this come up with appropriate steps to counter the challenges. In addition, organization should realize that some of the challenges faced in innovation can be gateways to greater heights as long a proper and feasible mitigation measures have been put in place to overcome them.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will describe the proposed research design, the target population, sampling design, data collection instruments, description of data processing and analysis and the ethical issues in the study. Kumar (2005) describes research methodology as a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. Further, Mugenda and Mugenda (2003), indicates that research methodology includes a research design, population and sample, data collection procedures, data analysis procedures and measurement of variables.

3.2 Research Design

The study used a descriptive research design toassess the views of NSSF staff on the effects of strategic innovation on the performance of State Agency. This design provided insight into research problem by describing the variables of interest. It allowed the researcher to draw conclusions about the relationship existing in the population and also characterize their phenomena and facilitate the drawing of inferences and help in maintaining the continuity of the research process.

Descriptive research is undertaken to ascertain and describe the characteristics of variables in a situation as they exist (Chandran, 2004). Descriptive studies are not only restricted to fact findings, but often result in formulation of important principles of knowledge and solution to significant problems. This design involves measurement, classification, analysis, comparison and interpretation of data (Orodho, 2003). Descriptively this study used statistics such as the mean, standard deviation, frequencies, and percentages. A good research design is therefore characterised by flexibility, appropriateness, efficiency and economy (Kothari, 2004).

3.3 Target Population

Mugenda and Mugenda (2003) defines target population as that population the researcher studies, and whose findings are used to generalize the entire population. After preliminary study the target population for this study was found to be approximately 567 employees of the fundin

Nairobi region. The study was divided into four categories representing top management, middle management, low level management and unionisable staff. This decision was informed by the fact that every level has a role to play in strategic innovations and implementations and notices its effects thereof.

3.4 Sampling

The study adopted stratified random sampling technique. Saunders and Thornhill (2003) defines sampling as the process of selecting a number of individuals for a study from a population. Orodho and Kombo (2002) supports that sampling is the process of selecting a number of individuals or objects from a population such that, the selected group contains elements representative of the characteristics found in the entire group. Sampling procedures are employed for several reasons which include lower cost, greater accuracy, and greater speed of data collection and finally availability of population elements (Cooper & Schindler, 2003).

Stratified random sampling involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup making it possible to make reliable estimates for each stratum as well as for the population as a whole (Cooper & Schindler, 2003). Using this probability technique there was reduced biasness in collection of data and ensured representation across all cadres in the organization. Preliminary study on the organization revealed that respondents were organized in four major groups based on level of management. This included senior management, middle level management, low level management and unionisable staff. The study proportionately selected 30% of respondents from each category through random. According to Mugenda and Mugenda (1999) a good sample is about 10%-30% of the accessible population however Kothari (2007) states that a sample should be optimum to fulfil the requirements of efficiency, reliability and flexibility in terms of costs.

Table 3.1: Target Sample Size

Category	Population	Sample Ratio	Sample
Top management	14	30%	5
Middle level management	98	30%	33
Lower Level management	215	30%	66
Unionisable staff	240	30%	73
TOTAL	567		175

Source: Data Survey, 2017

3.5 Type of Data

The study used both primary and secondary data. Primary data refers to the information a researcher obtains from the field. Secondary data refers to the information a researcher obtains from research articles, books, causal interviews and journals (Mugenda & Mugenda, 2003).

3.6 Research Approach

The study utilized mixed approach that is both quantitative and qualitative. Qualitative approach involves the examination of perceptions in order to gain a deeper understanding of social and human activities approaches (Mugenda & Mugenda, 2003). The research used data which was statistically quantified to examine relations ship between variables. In addition respondents provided personalized opinions which were qualitatively analysed thereby resulting to mixed approach.

3.7 Data Collection Tools

The study used questionnaires as the tool for data collection. Data collection tools are the instruments which are used to collect the necessary information needed to prove some facts. The choice of tools used is affected by the nature, purpose and scope of research(Mugenda & Mugenda, 2003).

3.7.1 Questionnaires

According to Kombo and Tromp (2006), questionnaires are the most appropriate tool for collecting information about issues that respondents will be reluctant to discuss because they uphold confidentiality. Chandran (2004), observes that the main purpose of the questionnaire is

to communicate to the respondents what is intended and to elicit desired responses in order to achieve the research objectives. The questionnaire has several advantages in that it saves time and it is economical in terms of resource utilization including administration (Mugenda & Mugenda, 2003).

In this regard questionnaires were used to collect data on respondent's perception on the effects of strategic innovation on the performance of NSSF. It had two sections. Section was looking at the background information of the respondents and section two addressed the main issues of the study. It consisted of both open and closed ended questions designed to elicit specific responses for qualitative and quantitative analysis. The questionnaire was administered through "drop and pick later" method.

3.7.2 Pre-Testing

Questionnaires provide useful results only if questions are valid and reliable. Pre-test is the testing of one's instruments with participants who match the participants to be involved in the actual study. The questionnaire should be pre-tested before dissemination to the actual respondents to ensure its effectiveness (Chandran, 2005).

According to Malhotra (2004), 10 to 15 questionnaires are enough samples for pre-test. To ensure validity the questionnaire was discussed with two Managers of the fund and the information obtained incorporated to enhance content and ensure its viability. Reliability the questionnaire wastested distributing a sample of 15 among a small representative sample of staff from NSSF Nairobi Region Office equivalent to 3% of the target population who did not participate in the actual research. These questionnaires where then collected and the information coded, input in the SPSS Version20 and analysed using the Cronbach reliability test. Using the Cronbach's alpha correlation coefficient with the help of SPSS software,the results of the reliability test produced an overall Cronbach Alpha correlation coefficient of 0.812. A coefficient of 0.7 is recommended for a newly developed questionnaire and therefore 0.812 was adequate for this study. This proved that the tool was reliable for the intended study.

3.8 Data Collection Procedure

Data collection involves contacting the respondents in the sample in order to collect the required information about the study (Cooper & Schindler, 2003). In order to make the data collection procedure successful, the researcher sought permission from NSSF management at the firm's head office in Upper hill, Nairobi. Further, the questionnaires were accompanied by a brief introduction letter on purpose of the research.

3.9 Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information collected (Kombo & Tromp, 2006). In this study, data was coded, tabulated and analysed using descriptive statistics, which involved use of percentages, mean, mode, standard deviations and frequency distributions. Further the data was presented using percentage and frequency distribution tables, and figures. Data was analysed using content analysis and findings described in prose form. The researcher further conducted multiple regression analysis to establish the relationship between the variables of the study. The adopted regression model took the following form:

$Y=\beta0+\beta1X1+ \beta2X2+ \beta3X3+ \beta4X4+ \beta5X5 + \beta6X6+ e$

Where Y= Performance of State Agency

X1= Product Innovation

X2= Process Innovation

X3= Market Innovation

X4= Organizational Innovation

X5= Government Regulation

X6= Political Influence

$\beta1, \beta2, \beta3, \beta4\ldots$ B6 = are regression coefficients to be estimated

e= stochastic term

The findings were interpreted at 5% level of significance.

3.10 Ethical Considerations

The researcher ensured that all authors were acknowledged, data was collected and presented as it was, confidentiality was maintained and only the respondents who agreed to be used in the study were approached and not any other According to Mugenda & Mugenda (2003) ethics is a

branch of philosophy which deals with ones conduct and serves as a guide to one's behaviour. Respondents should be protected by keeping the information given confidential. The researcher ensured that all authors were acknowledged, data was collected and presented as it was and only the respondents who agreed to be used in the study were approached and not any other. The goal of ethics in research was to ensure that no one was harmed or suffered adverse consequences from research activities.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS

4.1 Introduction

This chapter discusses the research findings, analysis, interpretation, and presentation. The researcher employed the use of quantitative and qualitative data analysis procedures to analyse the data.

4.2 Response Rate

175 questionnaires were distributed out of which 127 of were collected. 5 of these questionnaires were rejected since they were erroneously filled with the respondents marking only one element per variable. This translated to 73% response rate. Response rate refers to a percentage of the subjects that respond to questionnaires and a 60% response rate is good while 30% is not viable (Mugenda & Mugenda 1999). Therefore, the response rate for this study was adequate for data analysis and appropriate for making statistical inferences. The data was analysed using statistical package for social sciences (SPSS) version 23.

4.3Background Information

This information describes the basic characteristics of the population in study. Several features were studied which included, age, gender, level education, experience, and job cadre.

4.3.1 Gender

A total of 122 respondents participated in study. 77 (63%) were male while 45 (37%) were female. There was noticeable gender parity, however, there is conformity with Performance Contract between the Government and State Agencies which stipulate that staff membership establishment in any state Agency should constitute of at least 30% representation of either gender (NSSF, 2015).

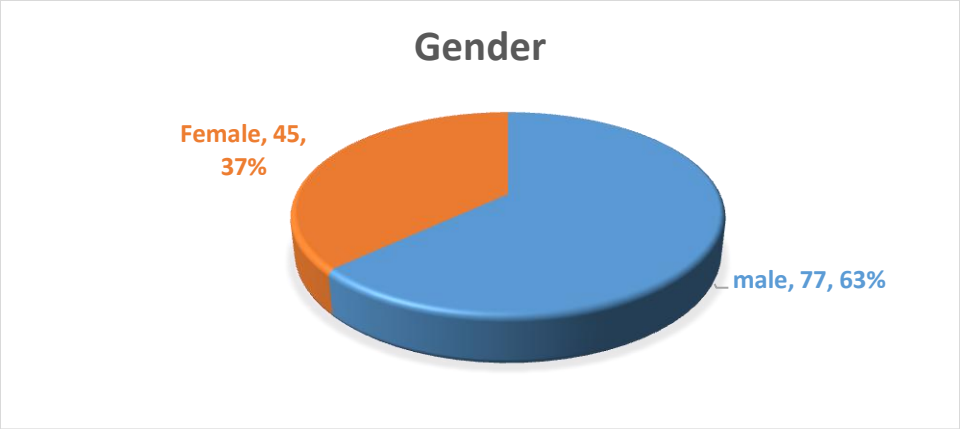


Figure 4.1: Gender

Source, Data Survey, 2017

4.3.2 Age

To ascertain age of the respondent's, clusters of 10 were used from 20 years to 60 years. It was found out that 31 (25.4%) respondents were of the age between 20- 30years, 35 (28.7%) respondents were of age 31- 40 years, 44(36.1%) respondents were of the age 41-50 years as 12 (9.8%) were above 51 years. The age 41-50 years represented the modal class. This was an indication that the fund had mature workforce however it presented a great challenge in the future thereby it is required to strategically plan and come up with proper succession plan avoid brain drain as employees retire and or withdraws from active employment.

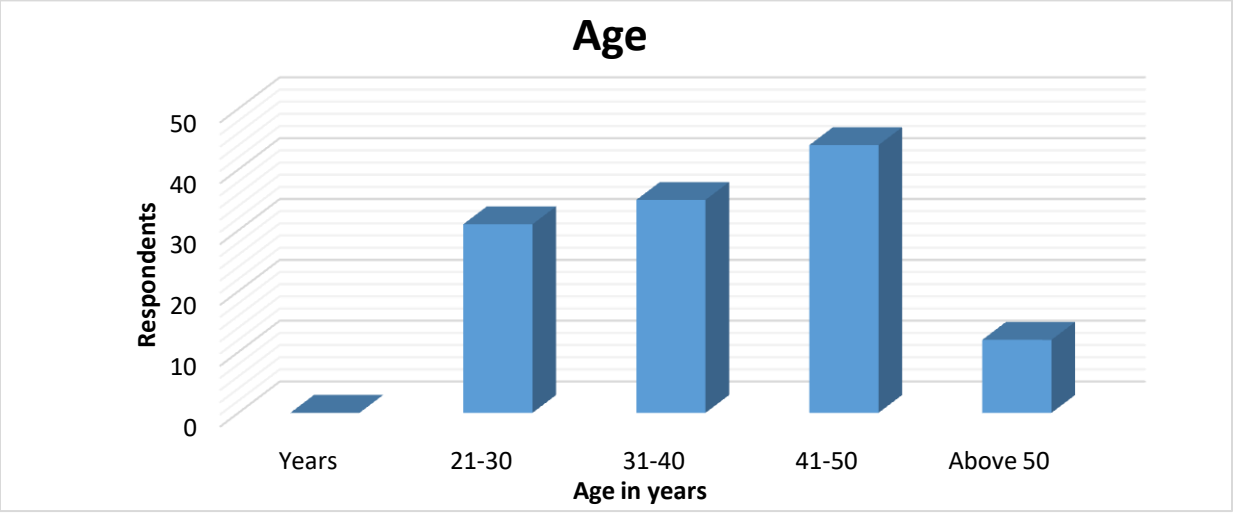


Figure 4.2: Age distribution

Source: Data Survey, 2017

4.3.3 Level of Education of the Respondents

Lack of highly qualified and experienced staff is a major barrier to many innovations (Roy & Hord, 2004). In this regard the study sought to establish the experience of the funds workforce to implement innovations. 7(5.7%) of respondents indicated that they possessed secondary education only, 22(19.7%) had college education as 60 (49.2%) had university education and 31 (25.4%) had post graduate level of education. 2 of the respondents failed disclose. In general, majority of NSSF employees university education and above. This was good indication that the fund has highly qualified employees who are knowledgeable thereby able to foster creativity and innovation.

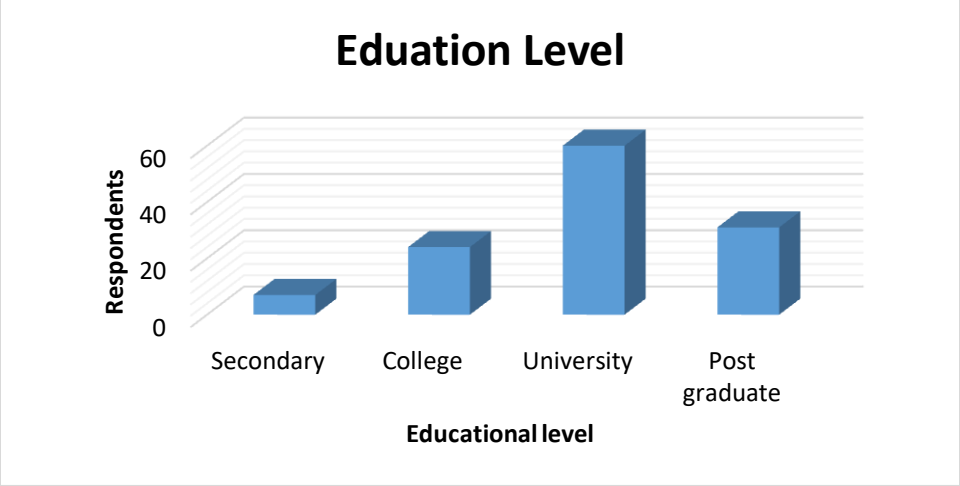


Figure 4.3: Level of Education

Source: Data Survey, 2017

4.3.4 Years of Experience

Experience is a tenet to the success in any organization. This study sought to examine the experience within the human workforce of the fund. 43 (35.2%) of the respondents had less than 5 years of experience,11(9%) had 6-10 years while 23 (18.9%) had 11-20 years of experienceand 45 (36.9%) of the respondents had above 21 years. 44.2% of the staff had less than 10 years of experience with the fund and 36.9% had above 21 years of experience showing that there was a well throughout balance between experience and transition as the organization tries to re-invent itself in terms of performance and culture change. According to Daft (1994), experienced employees are of advantage to a company since it implies that majority of staff are knowledgeable and familiar with competitors.

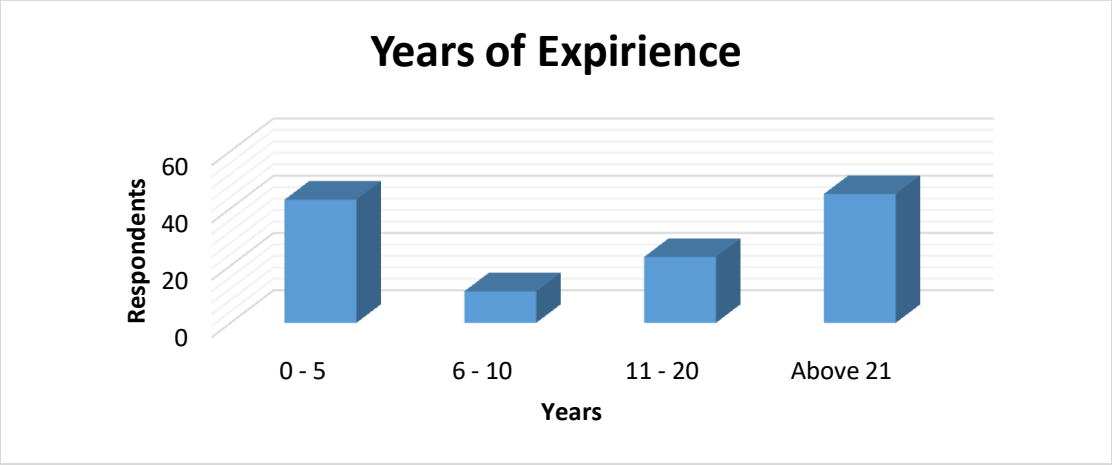


Figure 4.4: Years of Experience

Source: Data Survey, 2017

4.3.5 Level of Management

According to Afuah (2009), implementation of strategic innovation usually requires champions to influence all members' of staff in an organization on the importance of embracing a culture of innovation. Therefore, the study sought to point out the level of management that the respondents belonged to. It was found out that, 2 (1.6%) of the respondents were in the upper management level, 12 (9.8%) of the respondents belonged to middle level management, 65(53.3%) of the respondents belonged to lower management level and 43 (35.2%) were clerical and or other unionisable staff. Majority of the respondents were lower level management who are the effectors of these strategic innovations and are vocal in the creativity and innovative solutions to routine problems encountered in day to day work of the organization.

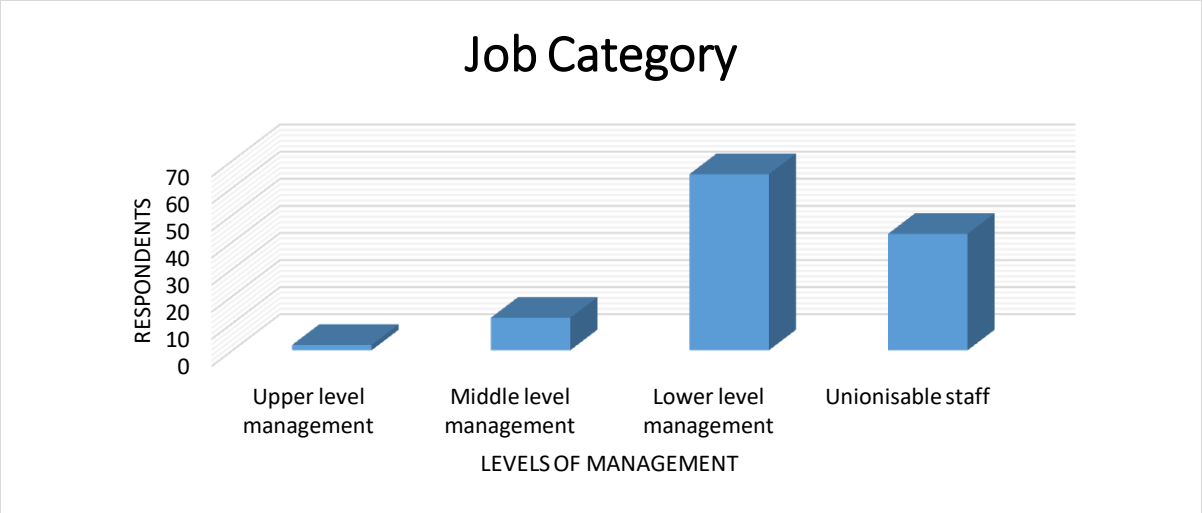


Figure 4.5: Employment Cadre

Source: Data Survey, 2017

4.4 Existence of Innovation Strategy in NSSF

According to Mulgan (2009) for organizations to consider working strategically they must have a strategy that describes in detail what and how they want to achieve. FurtherHipel and Katz (2002) pointed out that the success of implementation of strategic innovation begins with a well thought out innovation strategy which governs the allocation of resource to different innovations in order to achieve a company's overall corporate strategic objectives. The study carried out sought to find out whether NSSF had an existing innovation strategy. Out of the total respondents, 77 (63%) were aware that there is innovation strategy as 42 (37%) indicated that there was no innovation strategy at NSSF as indicated below. Further, some of the respondents gave their views that there is innovation in the fund however for innovation to achieve its full potential adhoc venture teams and more research and development is needed to be carried out.

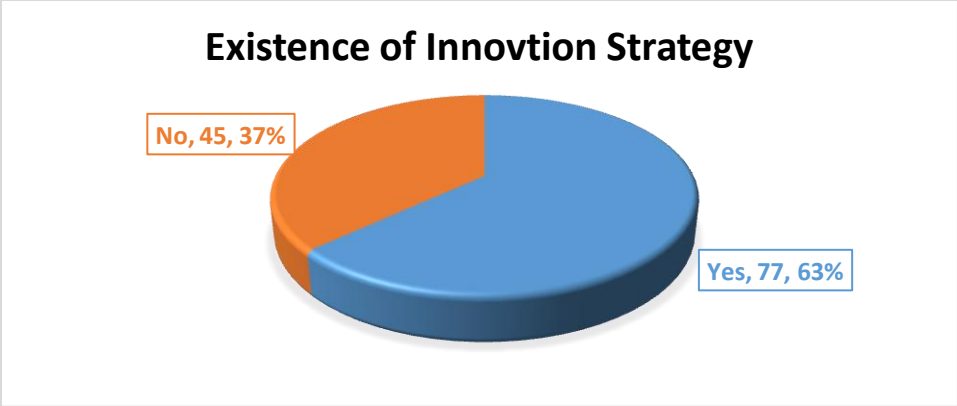


Fig 4.6: Existence of Innovation Strategy

Source: Data Survey, 2017

4.5 Awareness of Innovative Solution Implemented at NSSF

Further the study sought to establish whether the respondents were aware of any innovative solutions that NSSF had adopted. It was found out that52 (56%) of the respondents were aware as 70 (44%) were not aware of any innovative solutions implemented. This could be an indication of poor communication of solutions leading to partial distribution of information. Some of the innovations cited included ICT infrastructure. The respondents highlighted that the fund had adopted the use of Social security pension administration system which is an enterprise resource planning application which helps in day today running of the institution. ISO certification was also pointed out why by the institution was ISO 9001: 2015 certified. This is a quality management standard which emphasises on factual and evidence based decision making (KEBS 2016). In addition the institution pushed for a parliamentary process to amend the governing legislation from the old, CAP 258 repealed to NSSF Act No 45 OF 2013 laws of Kenya. This new legislation saw the introduction of mandatory pension scheme to all Kenyan workers within or without the fund, increase in the contribution rates to 6% of one's pensionable earnings. It also saw the introduction of financial support through mortgages to pensioners. Other innovations pointed out included more rigorous marketing campaigns, rebranding, business process re-engineering, adoption of E- service to ease service delivery and strategic collaboration with similar institutions like KRA and NHIF. Most of these innovations are more imitative than creative. According to Zhou (2006) creative innovation has made more contributions to sustaining competitive advantage than imitative innovation, however imitation is a better choice

to gain competitive advantage than is creative innovation, especially in a few specific industrial environments.

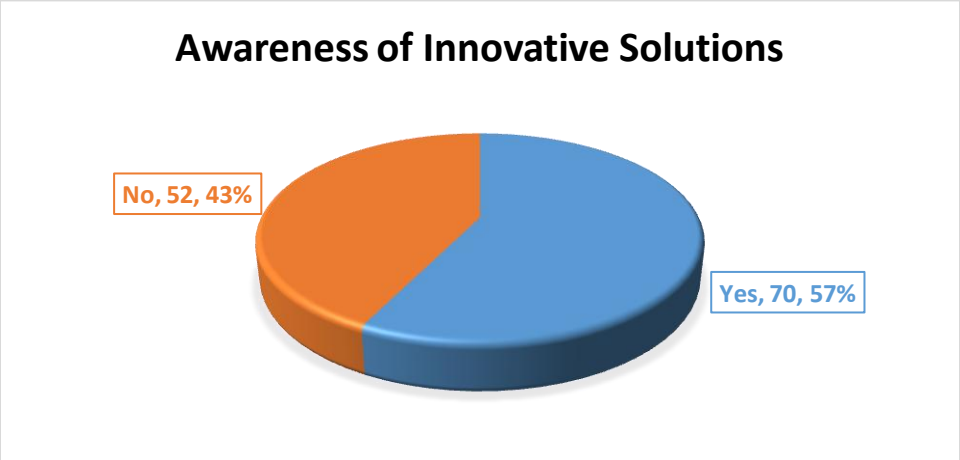


Fig 4.7: Innovation awareness

Source: Data Survey, 2017

4.6 Importance of Strategic Innovation at NSSF

Strategic innovation is a brain child of employees and such cannot be conceived without the employees appreciating its importance. In respect, the study sought to establish the respondent's sentiments on the importance of strategic innovation at NSSF. It was found out that 7 (5.7%) of the respondents were for the opinion that strategic innovation is not important, 48(39.3%) indicated that it is somehow important while the majority 67 (54.9%) of the respondents viewed strategic as very important. 95% of all the employees pegged a certain degree of importance to strategic innovation in the fund therefore they viewed it as an important tool to the growth of the institution. Only 5% deem strategic innovation to be of no importance however a greater number (44%) of respondents were not aware of any innovative solution. This was a notable proof that there is a universal understanding on the role of innovation across the institution however the process of decision making and implementation is limited to certain levels of employees and there is no effective communication of such initiatives.

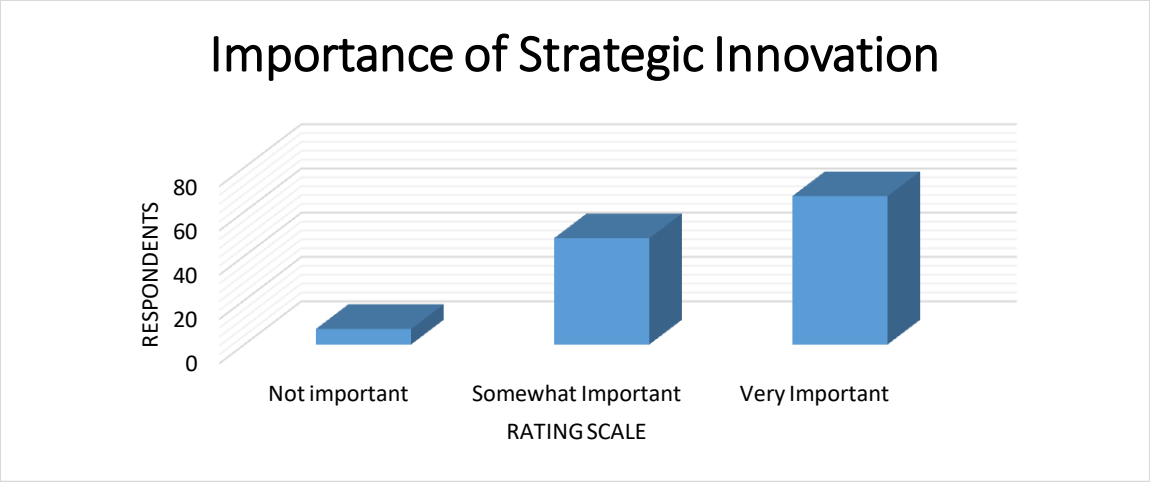


Fig 4.8: Importance of Innovation

Source: Data Survey, 2017

4.7 Innovation Strategies in the Fund

4.7.1 Product Innovation.

Innovation in an organization is realized through introduction of new products which are developed through imitation and or invention. Innovation can include upgrade of existing systems, introduction of new products, improving the existing products, and improvement of service delivery. The study sought to examine to what extent the fund was continuously introducing new products. In response, 46 (37.7%) of the respondents felt it was to less extent, 16(13.1%) had the opinion of very large extent. 32 (26.2%) and 27 (22.1%) of the respondents indicated moderate extent and large extent respectively. One of the ratings was missing. The majority (37.7%) were for the opinion that the fund was continuously introducing new products to a less extent. Further, enquiry on improving of existing products revealed that 37 (30.3%) of the employees felt that the fund was improving its products at a less extent, 44 (36.1%) at moderate extent, 21 (17.2%) at large extent and 19 (15.6%) at very large extent. One of the rating was missing. The study also sought to examine how the fund was involved in improvement of service delivery.22 (17.7%) felt to less extent, 30 (24.2%) to moderate extent, 35 (28.2%) to large extent and 35 (28.2%) to a very large extent. Statistically, it was found out that the fund achieved minimal milestones in introducing new products and improving the existing ones with majority with a mean of 2.09 and 2.16respectively. Standard deviation was at 1.08 and 1.06 meaning that the adjusted mean for these two strategies would be between 1 and3

indicating to less extent and large extent. However, the respondents felt that the fund is to very large extent involved in improvement of product and service delivery with a mean of 2.68 approximately 3 and a standard deviation of 1.078 meaning that the adjusted mean is 4 which is rated to a very large extent. Respondents cited use of E service for personalized self-services and the adoption of the 9001:2015 ISO standards as major steps in improving service delivery. The average mean for product innovation was 2.31 and a standard deviation of 1.069. This meant that the fund was to the less extend successful in production innovation in terms of introducing new products and improvement of existing products however to a very large extend the fund was involved in improvement of service delivery.

Table 4.1: Product Innovation

Statements on product innovation	Less extent	Moderate extent	Large Extent	Very large extent	Mean	Std. Deviation
The fund is continuously introducing new products	46	32	27	15	2.09	1.076
The fund is rigorously involved in improvement of existing product	37	44	21	19	2.16	1.055
The fund is involved in improvement of product and service delivery	22	30	35	35	2.68	1.078

Source: Data Survey, 2017

4.7.2 Process Innovation

This study looked at several indicators to match process innovation. One of the variables examined included engagement in adoption of new systems. It was found out that 11 (9%) believed in small extent, 22 (18%) moderate extent, 39 (32%) large extent and 50 (41%) very large extent. Secondly, the study also looked at upgrading of existing systems. 6 (4.9%) of the respondents indicated to less extent, 36 (29.5%) moderate extent, 38 (31.1%) large extent and 42 (34.4%) to very large extent. Further, on the significance changes on ways of conducting

business, 14 (11.5%) of the respondents felt that these changes were to less extent, 30(24.6%) to moderate extent, 32(26.2%) to large extent and majority 45 (36.9%) to very large extent. One respondent missed out in this category. Lastly, bureaucracy is a major deterrent in efficient and effective service delivery. The study looked into reduction of bureaucracy and it was found out that 34 (27.9 %) of the respondents were for the opinion that it was reduced in very large extent as 27 (22.1%) to large extent, 40 (32.8%) to moderate extent and 21 (17.2%) to small extent.

Table 4.2: Process Innovation

Statement on Process innovation	Less extent	Moderate extent	Large extent	Very large extent	Mean	Std. Deviation
Engagement in adoption of new systems	11	22	39	50	3.07	.964
Upgrading of existing systems	6	36	38	42	2.95	.917
Significance changes in ways of conducting business	14	30	32	45	2.87	1.068
Reduced bureaucracy in getting work done	34	27	40	21	2.36	1.084

Source: Data Survey, 2017

All the elements examined under process innovation had a rounded mean of 3 and standard deviation of 1 except in reduced bureaucracy which had a mean of 2.36 and a standard deviation of 1.084. On average process innovation had a weighted mean of 2.87 rounded to 3 and standard deviation of 1.003. Upon adjustment the average rating is 4 indicating to a very large extent. The respondents indicated that the fund had adopted new enterprise resource planning systems like the SAP and the SSPAS. The old and outdated systems were upgraded to meet current market standards however the institution was still rigid leaving a limited level of flexibility in conducting business. Most of the respondents 40 (37.2%) were for the opinion that, to large extentthe fund is still bureaucratic in its operations.

4.7.3 Organizational Innovation.

The study looked at organizational innovation which the fund could have adopted through innovation and creativity. Some of the issues interrogated included structural re-organization to improve service delivery. Majority of the respondents at 39 (32%) felt to very large extent as 30 (24.6%) to large extent, 32 (26.2%) to moderate extent. Only 20(16.4%) felt that to less extent the fund had implemented organizational re organization. One respondent gave no response. Majority of the respondents (32%) were of the opinion that the fund had re - organized its structures to maximise service delivery and optimize on performance. In addition a mean of 2.7 and standard deviation of 1.11 indicated that on average the fund had to large extentand to very large extent adopted re-organization. Further the study looked at use of continuous and on time sharing of information strategy. Information sharing leads to equality and uniformity across an organization. The study showed that 14 (11.5%) of the respondents believed to a less extent there is information sharing while the majority 50 (41%) indicated to moderate extent as 35(28.7%) and 23 (18%) indicated to large extent and very large extent respectively. The group mean was 2.52 and standard deviation of 0.97. This indicated that the institution has tried to implement on time information sharing however it had not attained its maximum effectiveness thereby leaving a room for evaluation on the strategies used. Respondents had varying views on the element of periodic review on operational standard procedures. 51 (41.8%) and 24 (19.7%) indicated that implementation of periodic review on operational standards and procedures was to large extent and very large extent respectively. 29 (23.8%) of the respondents indicated to moderate extentas 18 (14.7%) to less extent. Group mean was 2.88 and standard deviation of 1.23.This was a clear indication that the fund had very successfully implemented periodic review of organization standards and its impact on organizational performance was recognized. Training of employees is key to ensure staff development. This study sought to establish whether the fund had introduced new training programs based on need. 44 (36.1%) of the respondents indicated to very large extent, 27(22.1%) indicated to large extent, 25 (20.5%) indicated to moderate extent as 26 (21.3%) indicated to less extent. The group mean was 2.73 indicating to large extent. It was evident enough that the fund had successfully implemented the introduction of new training programs based on specific needs. The average mean was 2.71 and standard deviation of 1.089 there by it is justified to conclude that the fund had successfully implemented organizational

innovation satisfactorily and the impact of these strategic innovation had been manifested on the acceptability and recognition by majority of the respondents.

Table 4.3: Organizational Innovation

Statement on organizational innovation	Very unsuccessful %	Unsuccessful %	Successful %	Very successful %	Mean	Std. Deviation
Structural re-organization to improve service delivery	16.4	26.2	24.6	32.0	2.70	1.111
There is continuous and on time information sharing	11.5	41.0	28.7	18.0	2.52	.947
There is periodic review on operational standard procedures	14.7	23.8	19.7	41.8	2.88	1.132
Introduction of new training programs based on need	21.3	20.5	22.1	36.1	2.73	1.164

Source: Data Survey, 2017

4.7.4 Marketing Innovation

According to Miles (2004), from an organizational perspective, real innovation success resides in the marketplace. An organization should devise innovative marketing measures to help it transform good ideas and good products into sales revenue and profit. Further, a company must also strive to institutionalize innovation by establishing an appropriate culture, structure,

incentives, systems, and processes that facilitate innovation to occur as part of daily business. This study focused on establishing whether the fund had adopted different forms of marketing innovations. In respect to innovative promotions, 61 (50%) of the respondents were said the fund was involved in promotions to a very large extent, 28 (23%) to large extent, 14 (11.5) and 19 (15.6%) to a moderate extent and to a less extent respectively with a group mean of 3.07. In addition the respondents noted that the fund was recently involved in road shows, televised promotions, radio presentations, issuing of promotional materials and involvement in corporate social responsibility. As an innovative way of marketing, an organization can choose to do market penetration whereby it uses the same products to capture unexploited markets. This was examined whereby 45 (36.9%) of the respondents indicated to the less extent, 35 (28.7%) indicated moderate extent, 24 (19.7%) said to large extent and 18 (14.8%) to very large extent. The group mean was 2.12 and standard deviation of 1.072 indicating to a moderate and large scale. This was attributable to the fact that the fund was mandated to provide social security to all however it should realize that to achieve such a mandate it should recognize that different groups have different requirements therefore it should craft plans on how to attract willingly and incorporate all.

Marketing has different roles and one among many is to introduce new products designs based on consumer needs. The study looked at whether this was operationalized in the fund. 39 (32%) and 49 (40.2%) of the respondents indicated to less extent and moderate extent. 21 (17.2%) and 11 (9.0%) said to a large extent and very large extent respectively. 2 (1.6%) of the respondents opted not to comments. The group mean 2.0 and standard deviation of 0.962 which indicated to less extent and moderate extent. The respondents attributed this to the legislation which governs the operations of the fund dictating what benefits to be enjoyed by customers. It presents a great deal of rigidity which creates a great weakness in the fund and an opportunity to competitors in provision of pension benefits. Similarly, in placement of new products, the majority said the fund was involved to less extent at 46(37.7%), moderate extent at 29 (23.8%), 19 (15.6%) to large extent and 28 (23%) to very large extent. The group mean was 2.24 and standard deviation of 1.186. This indicated that the fund was to less extent using placement of new product in the marker. The average mean was 2.59 and standard deviation of 1.083 indicating that the fund was to less extent and moderate extent using marketing innovation. This presented a gap in the

operations of the organization whereby if proper corrective plans are crafted; the fund can capitalize on marketing innovation to improve on its market share and corporate image.

Table 4.4: Marketing Innovation Strategies

Statement on Marketing innovation	Very unsuccessful %	Unsuccessful %	Successful %	Very successful %	Mean	Std. Deviation
Continuous involvement in promotions.	15.6	11.5	23.0	50.0	3.07	1.115
Engagement of new strategies to capture new markets.	36.9	28.7	19.7	14.8	2.12	1.072
Continuous introduction of new product designs.	32	40.2	17.2	9.0	2.00	0.962
The fund is engaged placement of new products.	37.7	23.8	15.6	23.0	2.24	1.186

Source: Data Survey, 2017

4.8 Government Regulation and Political Influence

Government legislation affects Strategic Innovation to a very large extent as stated by 49 (40.2%) of the respondents in the study, 43(35.2%) viewed it to large extent affect strategic innovation while 18(14.8%) to moderate extent. Only11 (9.8%) viewed it to be of less extent. The mean was 3.06 and a standard deviation of 0.973. This was indicative that the government regulations moderates' strategic innovation to great extent This view agrees with the literature view by Mulgan and Albury (2003) and Borins (2002)that traditionally, organizations in public

sectors have been considered conservative, bureaucratic and reluctant to change due to the prevailing Government legislation that they must adhere to. Most of the respondents indicated that strategic ideas in the fund must be in line with various Government legislation which the company has no control over. This according to most of respondents may inhibit free thinking and free acting.

According to Halvorson, *et al* (2005) the main focus of public sector organizations is not sales or profits as it is in the private sector instead, and are basically working to realize political goals. With regards to what extent political influence affects strategic innovation at the fund, 56 (45.9%) of the total respondent indicated politics affect innovation in the organization to a very large extent, 34 (29.7%) to a large extent, 13 (10.7%) to moderate extent while only 19 (15.6%) viewed that political influence had to a less extent effect on strategic innovation to the fund. The group mean was 3.04 and standard deviation of 1.117 indicating that political influences to a very great extent moderates innovations in the fund.

Table 4.5: Moderating Factors

Moderating factors	Less extent	Moderate extent	Great extent	Very great extent	Mean	Std. Deviation	Mode
Government regulation effect strategic innovation	12	18	43	49	3.06	.973	3
Political influences affect strategic innovations	19	13	34	56	3.04	1.117	3

Source: Data Survey, 2017

4.9 Strategic Innovations in Enhancing Organizational Performance

Companies can achieve sustainable competitive advantage through strategic innovation which can be approached in its broadest sense, including development of new technologies and devising new ways of doing things by incorporating views of external stakeholders with an aim

of creating value (Porter 2001). The study therefore sought to find out to what extent NSSF had employed strategic innovation to enhance its performance.

In respect to achieving customer satisfaction in engaging in modern practices, 47 (38.5%) of the respondents stated that innovations employed were very successful as 44 (36.1%) viewed as successful. 11 (9.0%) and 20 (16.4%) of the respondents viewed innovations employed as unsuccessful and very unsuccessful respectively. The group had a mean of 2.97 and standard deviation of 1.067. This indicated that innovation was actively employed and had positive impacts on the performance of the organization. Further, competitive advantage attained through being proactive was interrogated. Majority 53 (43.4%) of the respondents were of the view that being proactive, the fund had gained a competitive advantage to a very successful level. 37 (30.3%) indicated to be only successful as 18 (14.8%) viewed unsuccessful and 14 (11.5%) were opinion that the strategic innovation was very unsuccessful. With a mean of 3.06 and a standard deviation of 1.023, it was clearly indicative that innovations were very successful in creation of competitive advantage. Further respondents indicated that the adoption of the new NSSF act No 45 of 2013 laws of Kenya was a mile stone as it looked into the future anticipated challenges and provided viable solutions.

Revenue growth is one of the indicators used to measure performance in an organization. The study was focused to determine whether strategic innovations had increased revenue growth. With a group mean of 3.02 and standard deviation of 0.962, 53 (43.4%) of the respondents were of the view that this strategy was very successful and 37 (30.3%) view it as successful only. In contrary, 18 (14.8%) and 14 (11.5%) were of the opinion that strategic innovations were unsuccessful and very unsuccessful respectively. This was a clear indication that strategic innovation had tangible impact on the performance of NSSF. Some of the innovations which led to revenue growth as indicated by respondents include the adoption of the new NSSF Act, wide range of investment portfolio, extensive marketing, stakeholder's sensitization and cost optimization.

According to Porter (2001) competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost hence cost advantage, or deliver benefits that

exceed those of competing products hence differentiation advantage. In respect to improvement of service delivery by innovation, 33 (27%) and 40 (32.8%) of the total respondents were of the view that strategic innovations to improve service delivery were very successful and successful respectively. Only 30 (24.6%) and 15 (15.6%) view it to be unsuccessful and very unsuccessful. The mean was 2.71 and standard deviation of 1.032. This was a clear indication that strategic innovation was successful on the improvement of service delivery of the fund and had a feasible impact on the performance of NSSF. The respondents indicated that the fund had engaged in E and M self-services like remittance of contributions, registration of new members, and production of individual account statements. The fund also implemented free call centres for handling of complaints. In addition respondents indicated that the fund had acquired ISO certification in quality management system ISO 9001:2015 which enhanced service delivery according to service charter timelines and better management of customer complaints. In regard, the opinions of the respondents are as tabled below:

Table 4.5: Effects of Strategic Innovations on Organizational Performance

Effects of strategic innovation on performance	Very unsuccessful %	Unsuccessful %	Successful %	Very successful %	Mean	Std. Deviation	Mode
Customer satisfaction is achieved by engaging in modern practices	16.4	9.0	36.1	38.5	2.97	1.067	4
The fund has achieved competitive advantage through being proactive	11.5	14.8	30.3	43.4	3.06	1.023	4
Strategic innovation has Increased	9.0	18.0	35.2	37.7	3.02	.962	4

revenue growth							
There is improvement in service delivery via innovation	15.6	24.6	32.8	27.0	2.71	1.032	3
Innovation and creativity has led to improved range of products	32.0	28.7	24.6	14.8	2.22	1.056	1
The fund has achieved remarkable growth in market share as a result of innovation and creativity	17.2	14.8	22.1	45.9	2.97	1.142	4
There is significant reduction in operational cost with adoption of strategic innovation.	20.5	12.3	39.3	27.9	2.75	1.080	3

Source: Data Survey, 2017

According to Afuah (2009), formulating and implementing a strategy to win in a new game, a firm has to articulate the vision of a new product to customers and help them discover their latent needs for the product. In this regard the study sought to interrogate how innovation and creativity had led to improved range of products. 18(14.8%) and 30 (24.6%) of the respondents indicated very successful and successful respectively as 35 (28.7%) and 39 (32%) indicated very unsuccessful and unsuccessful in the same order. The mean was 2.22 and standard deviation of 1.056. This was an indication that the fund was under performing in terms of increasing product range to its customers. Some of the respondents indicated that this is attributable to rigid legislative frame work which dictates the range of products to be offered as per the NSSF act no

45 of 2013 Laws of Kenya. For the fund to improve on its performance, a little flexibility needs to be allowed to facilitate introduction of new products and benefits to member which are more appealing to boost customer loyalty and commitment.

The study looked to ascertain growth in market share of NSSF as a result of innovation and creativity. In response, majority, 56 (45.9%) of the respondents indicated very successful. 27 (22.1%) of the respondents indicated successful, 18 (14.8%) and 21 (17.2%) of the respondent indicated unsuccessful and very unsuccessful. Growth in market share had a mean of 2.97 with a standard deviation of 1.142.This was a clear indication that some of the innovative measures undertaken successfully lead to significant growth in market share. Further, with a mean of 2.75 in reduction of operational costs, 25 (20.5%) and 15 (12.3%) viewed that there was very unsuccessful and unsuccessful reduction in operational cost respectively. Majority 48 (39.3%) were of the opinion that reduction of cost was successful while 34 (27.9%) as very successful. Some of the respondents indicated that the adoption of paperless offices and the extensive use of ICT systems led to automation of key services hence less operational cost. In addition the fund had adopted a strategic theme of cost optimization whereby it sought the use of innovation to minimize on cost.

4.10 Effects of Strategic Innovation on the Performance of State Agency

The researcher utilized multiple regression analysis to examine the effects of strategic innovation on the performance of state agency. The findings are indicated in subsequent sections.

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.658a	.434	.404	4.22876

Source: Data Survey, 2017

R is a correlation coefficient which shows the relationship between variables of study. The Model summary shows an R value of 0.658 indicating a strong positive correlation between the independent and the dependent variables of the study. The value of R square is 0.434, and that of adjusted R squared is 0.404 an indication that 40.4% change in performance of state agencies is explained by the independent variables of the study (product innovation, process innovation,

organizational innovation and market innovation). There are however other factors which the study did not cover that explain 56.4% of the performance of state agency.

Table 4.7: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1560.509	6	260.085	14.544	.001b
Residual	2038.598	114	17.882		
Total	3599.107	120			

Source: Data Survey, 2017

To determine the goodness of fit of the regression model an analysis of variance analysis was done which recorded significance levels of 0.1% indicating that the model had goodness of fit to establish the effects of strategic innovations on performance since the model had significance level (P-Value) of less than 5%.The significance indicated an F critical (from F tables) of 2.45 while the value of F calculated is 14.544. Since the value of F calculated is greater than F critical (14.544> 2.45), this indicates that the overall regression model was significant in predicting the relation between strategic innovation and performance of state agency.

Table 4.8: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.105	2.110		1.946	.054
Product Innovation	.030	.191	.012	.158	.002
Process Innovation	.008	.188	.004	.042	.016
Marketing Innovation	.609	.115	.436	5.297	.000
Organizational Innovation	.241	.160	.174	1.508	.034
Government regulation	.646	.508	.115	1.272	.006
Political influences	.991	.487	.199	2.037	.044

Source: Data Survey, 2017

The resultant regression equation therefore becomes:

Y=4.105+0.030X1+ 0.008X2+ 0.609X3+ 0.241X4+ 0.646X5 +0.991X6 +e

Where:

Y= Performance of State Agency

X1= Product Innovation

X2= Process Innovation

X3= Market Innovation

X4= Organizational Innovation

X5= Government Regulation

X6= Political Influence

β1, β2, β3, β4…. B6 = are regression coefficients to be estimated

e= stochastic term

This means that when all the variables of the study are held constant, performance of state agency would be at 4.105. A unit increase in product innovation would lead to 0.030 changes in performance of state agency. A unit increase in process innovation would lead to 0.008 changes in performance of state agency. A unit increase in market innovation would lead to 0.609 changes in performance of state agency. A unit increase in organizational innovation would lead to 0.241 increases in performance of state agency. A unit increase in government regulation would lead to 0.646 changes in performance of state agency. A unit increase in political influence would lead to 0.991 changes in performance of state agency. The p values of each individual independent and moderating variable are all less than 0.05 and therefore statistically significant.

4.11 Summary of Major Findings

The study was carried out to investigate the effects of strategic innovations on the performance of state Agencies a case of National Social Security Fund. The major findings were as highlighted below:

It was evident that NSSF had an innovation strategy with 59% of the respondents confirming the same compared to 41% of the respondents who were of a contrary opinion. In addition 58% of the respondents were aware of innovations adopted by the fund with only 42% of total respondents indicating otherwise. Further, in their own opinion the respondents revealed that the

fund has adopted new information systems, new ways of recruitment that is. Management trainee programs, E/M service platforms to ease customer service among others.

Upon interrogation of different types of innovation strategies, the study also revealed that in terms of innovations mean, they can be arranged as Process innovation (2.87), Organizational innovation 2.71, and product innovation 2.68 and marketing innovation (2.56).On product innovation majority of the respondents indicated that to the less extent there was introduction of new products and improvement of existing products at 39% and 28% respectively. Further, it was of their opinion that this was attributable to rigid legislative framework which dictates how and what products the fund will provide to their members.

On process innovation it was found out that the fund had to the very large extent adopted new systems (50 (41%) of the respondents). It also had upgraded some of the existing systems (42 (34%) of the respondents). Majority of the respondents at 48 (39%) also indicated that there was a significance change in ways of conducting business. However 40 (32%) believed that there was reduced bureaucracy in getting work done. The respondents noted that the fund had rigorously adopted various new ICT ERP platforms like the SSPS, SAP and BI tools. It also improved on some of its existing systems like the BMIS which to their opinion was crucial in benefit processing and payments. Reduction of bureaucracy has not achieved great milestones due to the matrix nature of organizational structure presenting numerous levels of operations.

Further marketing innovation strategies were examined. It was found out that, the fund to a great extent was involved in continuous involvement in promotions. To a less extent, it had strategies to target and capture specific markets as indicated by 38% and 28% of the respondents respectively. Further 36% of the respondents indicated that the fund to a less extent is involved in introduction of new products. In general the fund had done minimal in marketing innovation. This was attributable by the fact that it was operating as a monopoly thereby did not have the push to invent as far as marketing is involved.

The study found out that the fund had embraced the element of organizational innovation. 35% of the respondents indicated that the fund had reorganized itself to improve service delivery.

Majority of the respondents at 35% also indicated that there was continuous and on time sharing of information. 42% of the respondents were of the opinion that to a large extent the fund was involved in periodic review of standard operating procedures as 31% being majority indicated that there was introduction of new training programs based on needs. The respondents also indicated that the fund conducts training needs assessment survey first before holding any training.

Moreover it was also found out that adoption of strategic innovations is to a very large extent moderated by government regulations as pointed out by majority (40.2%) of the respondents. In addition, political influence to a very large extents effects the adoption of strategic innovation as indicated by 45.6% of the respondents.

The fund had adopted various innovations which lead to varying levels of performance. The indicators of performance in the fund can be arrange as follows based on their success levels as indicated by their specific mean ratings; improved range of products (2.22) improved service delivery (2.71) reduction in operational cost (2.75) increased customer satisfaction (2.97) growth in market share (2.97) increase in revenue growth (3.02) competitive advantage (3.06)

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the research findings, conclusions, and recommendations. The content of the chapter is based on secondary and primary data. The study sought to find out the effects of strategic innovations on the performance of state Agencies a case of National Social Security Fund. The study was guided by five specific objectives which sought to establish whether the fund had adopted marketing, product, process and organizational innovation strategies and their effects on the performance of the Organization as they are moderated by government regulation and political influence.

5.1.1 Implementation of Strategic Innovation at NSSF

The study was geared towards establishing whether the fund had implemented any strategic innovations. Several indicators where determined. This included the existence of innovation strategy, awareness on any innovative solutions implemented, and the importance of strategic innovation in the fund. According to Palmer & Kaplan (2007), strategic innovation lead to creation of growth, new products and services or business models which change the game and generate significant value to customers. The study revealed that there is an innovation strategy in the fund with 63% of the respondents acknowledging. According to Mulgan (2003) the adoption of strategic innovation is the starting point and an indication that the company is on course to embracing it. Majority of the respondent's (53%) were aware of innovative solutions implemented. These innovations were either product or service oriented towards improving the functionality of existing products and services and contributes significantly in generating net value for all stake holders (Palmer & Kaplan, 2007).54.7% of the respondents viewed it to be very important. The distribution on the respondents on the importance of strategic innovation however was so much inclined towards the senior managers with the low cadre of employees giving indicting that it was less important compared to senior managers. This aspect casted doubts on the process of strategy formulation, employee involvement and effective communication.

5.2 Discussion of Key findings

5.2.1 Effects of process innovation on performance

The study sort to establish how process innovation affect the performance of the fund. It took in to consideration the aspect of adoption of new systems, upgrade of existing systems, changes in ways of conducting business and reduction of bureaucracy in service delivery. It was revealed that adoption of process innovation was to large extent with a mean of 2.87. Through process innovations modern practices like the use of E/M service was adopted leading to improved customer satisfaction. Also, improvement of service delivery was very successful. Generally, the adoption of process innovation led to improved performance of the fund. The way of conducting business in day to day activities of an organization often affect certain aspects like quality, efficiency, rate of service delivery productivity and reduction in operational. Further the study revealed that the fund was still bureaucratic in-service delivery hence limiting customer satisfaction. This agrees with Osuga (2016) who found out that the introduction of new system led to a reduction of costs and increased the efficiency in service delivery. Further, Osuga (2016) established a positive correlation between process innovation and organizational performance. Kinkel *et al* (2004) argued that implementing new process strategies improve the functions of the organization and lead to better communication channels, improvement of responsibilities, accountability and better organizational competencies.

5.2.2 Effects of product innovations on performance

A leader has to articulate a vision of a new product to customers and help them discover their latent needs for the product. A good instance is Steve Jobs who is a good champion for Apples product (Afuah, 2009). In regard the study undertook to determine how product innovation affect performance in NSSF. It was found out that, the fund was to less extent introducing new products with a mean of 2.09. Further, to moderate extent the fund was involved in improvement of existing product with a mean of 2.16. To a large extent however the fund was involved in improvement of product and service delivery with a mean of 2.68. This was a clear indication that to less extent the fund was involved in product innovation which presented a weakness within the funds operations as articulated by Comison and Lopez (2010) that that product innovation is important for an organization to be able to create a competitive edge in the changing environment. The study further revealed that the fund had unsuccessfully improved on

the range of products as a result of innovation a phenomenon which could be tied to the rigid legislative framework which governs the mandate and products offered by the fund.

5.2.3 Effects of Marketing Innovation on Performance

As Miles (2004) asserts, organizations should devise innovative marketing measures to help them transform good ideas, products and services into sales revenue and profit. In respect, the study looked at various forms of marketing innovations and how they affect the overall performance of the fund. It was found out that the fund was to a very large extent involved in promotions with a mean of 3.07. Further, to less extent the fund was involved in capturing of new markets and doming up with new product designs. A group man of 2.24 indicated that the fund had adopted strategic marketing to a moderate extent thereby affecting its performance. This was an indicator that the fund was only involved in promotion of the existing goods only rather than improving and introducing new products in tandem with the changing customer needs. This was also supported by interrogating the element that innovation and creativity lead to improved range of products. This was found to be unsuccessful with a mean of 2.22.Rosli *et al*., (2013) stated that market innovation is the use of marketing mix and selection with an aim of satisfying the customers' preferences which was strengthened by Mwangi *et al* (2013) who held that marketing was avalue creation process that brought together factors of production that produce superior product with aim of exploiting opportunities. Osuga (2016) found the relationship between marketing innovation and organizational performance to be strongly, positive and significant. Using promotion as a marketing strategy the fund was able to successfully improve on its revenue growth and market share an outcome which is also attributable to government regulations which the fund operates under.

5.2.4 Effects of Organizational Innovation on Performance

According to Laszlo (2007), organizational systems should not overlook specific individual human features such as responsibility, free decision and true human values. As the basic building block of organizational systems, individuals are the ultimate innovation conducting or isolating element. In regard to organizational innovation. The study sough to find out whether the fund had adopted various forms of organizational innovation and it was found the fund had re organized itself to successfully improve service delivery with a mean of 2.7. For organization to work smoothly there must be on time sharing of information and it indicated that there was on

time information sharing with a mean of 2.54. To ensure flexibility and adaptability with the changing needs of customers an organization must have a periodic review of organizational procedure and conduct staff trainings based on need. The study revealed that the organization to large extent had implemented periodic review of its standard operating procedures and conducted trainings based on need. Both elements had mean weights of 2.8 and 2.73 respectively. From the respondents opinions, the fund had re invented itself by passing through a parliamentary process to enact a new law which resulted to successful improvement in revenue growth, and also growth in its market coverage.

5.2.5 Effects of Government Regulations and Political Influence on Performance

As a state Agency, NSSF is governed by Government rules and legislations. In this case the fund is governed by the NSSF Act No. 45 of 2013 Laws of Kenya. As much as the rules and regulations help the company runs its operation, they may also inhibit the free thinking and creativity in an organization especially since they are already legislated and there is no room for flexibility (Borins 2002). In examination, it was found out that majority of the respondents 40% indicated that government regulations to a very large extent affects the utilization of strategic innovation with a mean of 3.06. This translated to a large extent that Government regulations affect the adoption of strategic innovations on state agencies. The effects can either constraints strategic innovation however, they can also motivate innovations.

Public scrutiny can lead to innovations as well, and to new political decisions on services based on public discontent, which push the organizations to implement new services or processes of delivery (Borins 2002). According to Windrum & Koch (2008), the innovations initiated at this level tend to be general in nature taking the form of genetic political goals, rather than detailed changes in specific services. They are top-down innovations, where the implementation is handed over to the organization providing the service. It was found out that 45.9% felt that that political influence affected the adoption of strategic innovation with a mean of 3.04.

5.3 Outcomes of Strategic Innovations on Performance

To determine effects of these various forms of innovation, various parameters where carefully selected and examined on Linkert scale. Customer satisfaction was examined in relation to strategic innovations. Majority (38.5%) of the respondents viewed the adoption of these strategic

innovations to have been very successful with a mean of 2.97 and variance of 1.139.According to Porter (2001), companies can achieve sustainable competitive advantage through strategic innovation which can be approached in its broadest sense, such as development of new technologies and devising new ways of doing things by incorporating views of external stakeholders with an aim of creating value. This concept was tested and it was found out that majority (43.4) of the respondents found strategic innovations to have been very successful in creating competitive advantage to the fund. Further the study indicated that through strategic innovations the fund was very successful in increasing revenue growth, improvement of service delivery, growth and reduction of operational costs however, 32% of the respondents stated that the fund very unsuccessful in improving the range of products in the fund with a mean of 2.22. This was attributable to the rigid legal frame work which dictates the range of products to be offered.

5.4 Conclusion

From the findings of the study, implementation of strategic innovation is very important for sustainability of this key state owned enterprise and for economic development of the country. The study revealed that NSSF had scarcely adopted the practice of strategic innovation and some implementations of innovative solutions are more geared towards the expected service improvement to maintain the core business of the company. The fund had adopted most of the different forms of strategic innovations however least had been done on product innovation. This lead to lack of creativity in improving existing products, or even introducing new products in line with the change stakeholders needs. By adopting this other form of innovations, the fund saw increased customer satisfaction, revenue growth, reduction in operations cost and an upper hand against competition.

It was evident that adoption of all various forms of strategic innovations have a positive effect on the overall performance of the fund. Each type of innovation has got its distinctive effect on the overall performance of an organization therefore a careful balance needs to be effected to ensure maximization of the total effect at minimal expense.

5.4 Recommendations for Policy and Practice

- To ensure improved performance the fund should ensure that a well thought out recipe of the different types of innovation is choreographed to ensure optimization of their effects on performance.
- To improve on customer satisfaction, the fund should minimize bureaucracy in service delivery by flattening its matrix structure. Bureaucracy results to long and tedious process resulting to wastage of time in service delivery hence dissatisfaction
- Government regulations that give the fund its mandate need to be amended to allow for some level of flexibility to enhance its adaptability with the changing customer expectations. This is because it is evident enough from the study that the fund has very little in product placement, improving existing products and or introducing new products
- The fund need to adopt a much more intensive and customer interactive marketing plans targeting specific groups like house workers, juakali workers, small scale retail traders among others with specific products so as to improve on its market share. This will increase its market share and subsequently increase in revenue.

5.5 Suggestion for Further Studies

The study sought to examine the effects of strategic innovation on the performance of State Agency a case of NSSF Kenya. A further study need to be undertaken to determine the impact of Government regulations on the performance of state Agencies. This will advance the study by learning the practice of innovation in this sector which may point out the importance of strategic innovation to social-economic growth of the country and to what extent Government regulations should be applied to successfully institutionalize strategic innovation in the sector.

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Appendix 1: Introduction letter

Dear Respondents

My name is Moses Kimote, a postgraduate student at St. Pauls University. As a partial fulfilment of my MBA, I am carrying out a study on effects of strategic innovation in State Agencies in Kenya with reference to National Social Security Fund. Kindly assist in filling the attached questionnaire accordingly. It is my assurance that all the responses given herein will be treated with utter most confidentiality and used strictly for the purposes of this academic study.

Thank you in advance.
Much regards,

Moses M. Kimote

Appendix 2: Questionnaire

Instructions

This questionnaire is designed to collect data that will help in better understanding the effects of Strategic innovation on Performance of state Agencies: A Case of National Social Security Fund

The data provided by this questionnaire will be treated in strict confidence

SECTION A: DEMOGRAPHICS.

Background Information (Please tick (√) appropriate answer)

1) Gender.

a.	Male	
b.	Female	

2) Please indicate your age

a.	20-30 Years	
b.	31 -40 Years	
c.	41-50 Years	
d.	51 and above	

3) Level of education.

a.	Secondary	
b.	College	
c.	University	
d.	Post graduate	
e	Other	

4) Number of years worked in the Fund

a.	0 -5 years	
b.	6-10 years	
c.	11-20 years	
d.	Above 21 years	

5) Employment cadre (Please tick (√) appropriate answer)

a.	Upper level management	
b.	Middle level management	
c.	Lower level management	
d.	Unionisable staff	

SECTION B: BACKGROUND & MAIN ISSUES

6) Is there an innovation strategy at NSSF?

a.	Yes	
b.	No	

Are you aware of any innovative solutions that NSSF has implemented?

7) (Please tick (√) appropriate answer)

	Yes	
	No	

In your opinion, how important is strategic innovation at NSSF. (Please tick (√) where

8) appropriate)

a.	Not important	
b.	Somewhat important	
b.	Very important	

9. In brief state some of the innovative solutions which in your own opinion are key to the operations of the fund.

1 _____

2_____

3_____

4_____

5_____

6_____

7_____

10. To what extent do the following statements on the state of strategic innovation apply to NSSF on the scale of 1- 4? (1 –Less extent, 2-Moderate extent, 3- Large extent 4 – Very large extent,

a) Product Innovation

Statement	1	2	3	4
The fund is continuously introducing new product				
The fund is continuously improving on existing products				
The fund is rigorously involved in improvement of product/service delivery				

b) Process innovation

Statement	1	2	3	4
The fund is engaged in adoption of new systems				
The existing systems have been upgraded to match the current technology				
There are significant changes in ways of conducting business in the fund				
There is reduced bureaucracy in getting work done				

c) Marketing innovation

Statement	1	2	3	4
The fund is continuously involved in promotions				
The fund has engaged new strategies to capture new market segments				
The fund has engaged strategies to target specific markets e.g., youth and Jua kali sector				
There is continuous introduction of new product designs				
There is continuous new product placement within the fund				

d) Organizational Innovation

Statement	1	2	3	4
The fund has reorganized its structure to improve service delivery				
There is continuous and on time information sharing in the fund				
The fund is conducting periodic review of on the operational standard procedures				
There is continuous introduction of new training programs based on need				
The fund is instituting viable changes to re -invent itself				

11. To what extent do the following statements on the influence of strategic innovation apply to NSSF on the scale of 1- 4? (1 –Less extent, 2-Moderate extent, 3- Large extent 4 – Very large 4)

Factor	1	2	3	4
Government Regulation affect strategic innovation in the fund				
Political influence is a major determinate of innovation in the fund				

SECTION C: Organizational performance

12. Kindly indicate the degree of the influence of strategic innovation on organizational performance of the fund. (1- Very Unsuccessful 2 - unsuccessful 3 – Successful 4 – very successful)

Effects of strategic innovation on organizational performance	1	2	3	4
By engaging in modern practices the fund has achieved higher customer satisfaction				
By being proactive the fund has attained greater competitive advantage				
Strategic innovation has increased revenue growth generated by the fund				
Innovation has improved service delivery in the fund				
Innovation and creativity has led to improved range or upgrade of the existing products in the fund				

The fund has achieved remarkable growth in market share as a result of innovation and creativity				
There is significant reduction in operational cost with adoption of strategic innovation				

13. In your own opinion what other innovative measures have been put in place to ensure improved performance at NSSF.

a. _____

b. _____

c. _____

d. _____

e. _____

f. _____

Thank you

Appendix 3: Recommendation letter

ST. PAUL'S UNIVERSITY

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BOARD OF POSTGRADUATE STUDIES

5th August 2016
National Commission for Science and Technology,
P.O. BOX 30623-00100,
Nairobi.

Dear Sir/Madam,

Re: Recommendation for Moses M. Kimote 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 '*Effects of strategic innovation in state corporation in Kenya: the case of National Social Security Fund'*.

The research will take place from August 2016 to October 2016.

Kindly grant this student the required permit.

Yours Faithfully,

Dr. Sammy Githuku
Director, Postgraduate Studies

Appendix 4: NACOTSI Authority Certificate