

# **STRATEGIC INNOVATIONS AND COMPETITIVENESS OF SACCOS IN SOUTH IMENTI SUB-COUNTY, MERU COUNTY, KENYA**

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## **ABSTRACT**

The survival of SACCOs in a rapid market depends on their capability to align strategies and competencies with prospects in the external environment for the sake of achieving market leadership status. Innovation is one of key element that ensures that competitiveness is achieved. Innovation in business means doing things differently from Competitors, changing, altering or coming with a new way/process to a product in order to increase its productivity and improve its value. SACCOs in Imenti South Sub-County, Meru County are no exception as innovation significance increases, which is a key requirement for them in achieving competitive advantage. The study focused on the effect of product innovation, technological innovation, market innovation and process innovation strategies on competitiveness in Imenti South Sub-County, Meru County. The objective of this study was affected by two approaches: Resource based view strategy and Schumpeter Theory of Innovation. The study adopted a descriptive Design. The population of the study involved census of all the 46 Saccos in South Imenti Sub-County. The study also purposively selected 46 CEOs and senior managers. This lead to selection of 92 respondents. Questionnaire was the main instrument used in data collection. The instrument was tested for reliability using Cronbach's Alpha Reliability test while content validity was assessed using expert opinion. The Statistical Package for Social Sciences (SPSS) Version 23.0 was used to capture and edit data from the completed

instruments. Then, the process of testing data was initiated. Descriptive statistics was derived from the data, which included frequency data (mean, standard deviation and measures of relative frequencies). The results of the study were represented using tables and figures. Furthermore, the study undertook statistical testing, where hypotheses between the dependent variable and the independent variables were tested. The findings of the study indicated that all the study variables (product innovation, technology innovation, process innovation and market innovation) have a positive and significant relationship on competitiveness of Saccos in South Imenti Sub-County, Meru County. In conclusion, innovation is a very important tool for SACCOs since it protects them against imitability of key competitive elements in the market by identifying results which seems difficult to recreate for other competitors within the same market. The study recommended that innovation should involve all stakeholders in SACCOs, that is including Directors of the , Members, Senior Management and all other members of staff in the SACCOs, as a major tool to promote competitiveness and it should not be perceived as a management function alone but it should be adopted as bridge towards effective communication within the organization and as a strong key for the organization to remain at the top of the rest.

**Key Words: Board of Directors, By-Laws, Chief Executive Officer (CEO), Competitiveness, Innovations, Policies, Repayment Period, Top –ups.**

## **INTRODUCTION**

Globally, the pressure on innovation strategy by companies of developing countries is increasingly being experienced due to globalization. The significant roles in the production of goods and services is increasingly being positioned by advanced attributes such as Research and Development (R&D) software, design, engineering, education, marketing and management. Furthermore, international trade and global value chains is dominated by developing international standards (Nybakk & Jenssen, 2012). As such, the capability to make innovations and orientation to technology and information determines the companies' and countries' competitiveness.

Strategic innovation is considered as the basic concept that solves upon social problems mostly in developing countries. Generally, the social problems mostly addressed include environmental pollution, health, poverty and unemployment. In the present day, innovation role and importance has turned out to be more important than economic achievement. Strategy in innovation happens to be an essential field of activity in organizations and the most important factor that makes the dynamism of national economies to increase due to its significant influences in a way that it increases and supports competition. Gubler (2010) suggests that service industries such as banks and credit facilities, where there are imminent new entries in the market necessitate constant need to think strategically about what is going on around them and away from them.

In regards to the key theories that underpin this study, innovation theory and Resource based view (RBV) are comprehensible in their assertion. Schumpeter (1934) argued that innovative entrepreneurs always able to establish other ways of creating new opportunities that contribute to new profits. The super normal profits will always be relished by the prime mover of the idea who seeks innovation of new products in the market which competitors are likely to imitate. In the case of the other theory, Resource Based view explicate that that firm will be able to gain competitiveness in the long run, only if it can manage its resources well without inconsistencies. Rindova and Fombrun (1999) content that the impact of the; firm knowledge structure; and the possibility of building up competitive edge is emphasized by the Resource-based theories. Besides, Resource-based view of strategy seriously attempts to confront and examines assets and firm's abilities. For that reason, they are capable of producing greater return and achieve competitive advantage. The resonance is therefore well put by these two theories for the benefit of this empirical research due to the fact that they accentuate innovation role as a resource capable for enhancing competitiveness. Therefore, in furtherance of utilizing the available resources for competitiveness, companies will have to beat competition in this continually orderly and ever growing competitive environment.

### **Statement of the Problem**

SACCOs today are facing a lot of compulsion from other enterprises, offering the same services or products, for example, Commercial Banks and Micro Finance enterprises as well as other compulsion from their consumers who demand upgrade on their normal products

they offer. For instance, it is noted that the number of the new members seeking financial services from SACCOs in Kenya has relatively been declining. Since 2009 the decline from 13.5% to 9.1% in the year 2013 was indicated. On the other hand, a significance increase in the same period was noted in the banking industry where commercial banks customer' base for the same services grew from 13.5% to 29.2% as reported by Kiragu (2015). SACCOs also encounter the challenges of addressing technological obsolescence considering the ever dynamic global changes that must be adopted and sustained to avoid being obsolete. Long term survival for that reason necessitate on innovative strategies adoption that would lead to competitive advantage.

The fact that the Savings and Credit Cooperative Society institutions in Kenya have been affected adversely by the changing operating environment necessitating for adoption of innovation strategies in order to alleviate a competitive edge in the markets. Tidd, Bessant and Pavitt (2001) identify that the call for strategic innovation is more to private sector. These are organizations operating in increasingly competitive market and in which a condition for survival should be steered through innovation. By moving beyond industry norms or "sustaining" innovations to achieve certain business model innovation, companies which have adopted strategic innovation strategies will always achieve a competitive advantage. As such, organizations' established competitors will be disrupted, allowing them to generate value for themselves, simultaneously with their customers and their shareholders.

Previous research enfoldng innovative strategies have been extensively conducted locally on economic sectors other than SACCOs. For instance, Odhiambo (2015) conducted a study to examine in either case that competitive advantage can be validated by way of innovation strategies: case study of United Bank of Africa Ltd. It was revealed through the study results that the innovation strategies adopted by the bank made it possible to achieve competitive advantage considering the competitive environment it exists. But a similar study should be carried out to establish if recent innovation strategies adopted by Saccos lead to competitiveness. Similarly, a study by Mathenge (2016) sought to investigate the financial innovation effects on competitive advantages among Kenya telecommunication companies. It was established that financial innovation has a positive effect on telecommunications companies the performance to a great extent. This study was however conducted in telecommunication sector, as such, there is need of evidence on the financial innovation effects on competitiveness of Saccos in Kenya. Similarly, Shejero (2016) carried out a study to determine the innovation strategies impact on competitiveness. The study sampled 148 SACCOs in Mombasa County. It was revealed product innovation is what is mostly used by SACCOs in the region regardless of the fact that that the costs associated with innovation are too high. The current study need to establish the most adopted innovation strategies in South Imenti Sub-County. Ngure, Maina and Kariuki (2017) investigated the product innovations effect on SACCOs' financial performance in Kirinyaga County, Kenya. The study results indicated that product innovations and financial performance positively correlated. Conversely, similar study need to establish the same in South Imenti Sub-County.

Despite immense study focusing on effect of innovations strategies on competitiveness, none have been conducted to examine strategic innovations adopted by SACCOs in South Imenti Sub- County. The existing studies underpins less variables that are considered to have an effect on competitiveness. The scope of previous studies were limited to other geographical areas hence then need to carry out a research on South Imenti Sub-County of Meru County. It is also, the extent of strategic innovation effect, that is, does innovation strategies have strong or weak relationship to Sacco's competitiveness is not well validated by the existing studies. Therefore, this research was aimed at sealing the existing gap as well as recommend for further study within the industry. The study sought to answer the research questions: what are the innovation strategies adopted by SACCOs in South Imenti Sub- County for Competitiveness? What is the effect of innovation strategies on competitiveness in SACCOs in Imenti South Sub-County?

### **Objective of the Study**

The objective of the study was to determine if strategic innovations affects competitiveness of SACCOs in South Imenti Sub-County, Meru County, Kenya.

## **LITERATURE REVIEW**

### **Theoretical Review**

Innovation consists of different activities and each phenomenon can be described by several frameworks that are embedded in various theoretical approaches. Much of the studies on innovation strategies are based on the objectives of this study have been affected by two approaches: Resource based view strategy and Schumpeter Theory of Innovation.

### **Resource Based View Theory**

The resource-based view (RBV) has developed as one of the important theories of strategic management. The theory asserts; that instead of organizations seeking overhaul in the external environment for it as internal resources are key to maximum firm performance, they should examine their firms to determine how they can derive competitive advantage from within, which in turn ensures the high competitiveness. The distinct interplay of organizational, physical and human resources over a prolonged period is positioned by the ability of a firm to operate better than its competitors through the RBV of strategy. Organizations are required to build up resources and competencies that are incomparable, exquisite, non-substitutable, and inimitable. As a result, firms will be able to achieve continuance above-standard yield over long periods of time (Barney, 1991). When a company adopts and implement on these measures, Ayuso.et.al. (2011) contents that competitive edge is prospective to be realized through the available resources that includes good reputation corporate tradition or long-lasting relationships with stakeholders. An organization RBV illuminates its potential to attain competitive advantage when capital is properly administered as reported by Mahoney and Pandian (1992). In that case, it will be difficult for the rival firms to emulate it leading to a competitive barrier thereafter.

The competitive edge of an organization relies on its ability to regulate the already established context of its resource selection as Oliver (1997) asserts. He further expounds on the contexts such as the societal impacts, organization philosophies, interim and state relations that explicate economic behavior. According to Rindova and Fombrun (1999), internal domain-enterprise-distinct know how and capabilities has a wide-ranging significance towards creation of a competitive edge which is rationally highlighted through Resource-based theories. In order to produce more economically and/or satisfying consumer desires largely, organizations ought to be equipped with sufficient resources. A resource is referred to an asset, which may possibly be clarified as power or imperfections being experienced by organization. Competitiveness can be established through resources such as finances, efficient methods, brand titles, trade contacts and in-house mastery of technology.

### **Schumpeter Theory of Innovation**

This theory was discovered in 1934 by Schumpeter. The theory asserts that the progress of structural modifications of activity is usually driven by innovation using five ways: Application of current production or selling methods (not available in the field); new product launching or refurbishing; introduction of a new market (the market that was yet to be presented in the industry); up to date securing of sources of supplying raw or comparatively complete materials; and alignment of the modern industry that may include creation or destruction of a position that has been dominated for a long time. If organizations seek to reap huge profits they will need to innovate.

The importance of innovation cannot be overlooked since it is a driver of economic dynamics. According to Schumpeter (1912), it is the “action of industrial alteration that incessantly demolish the outdated systems, continuously creating current one, it also transforms the economic system from inside”. Schumpeter (1934) further divides the innovation processes in four categories: innovation, invention, imitation and diffusion. The modern possibilities for development, employment and investment is unquestionably presented and explained by Schumpeter’s theory where it stresses the need of activity and possibility of the trader, drawing upon the investors and originators findings.

The state of an economy is greatly affected by imitation and diffusion activity however; the invention phase has reduced significance. Besides, owing to the tremendous normal profits relished by the prime mover of the idea, innovation continuously presents a new product in the market leading to other competitors/followers to imitate. Schumpeter theory of innovation has attempted to distinguish between two important portfolios: a revolutionary change by traders that aims at profitable environment for modern ventures; and the entrepreneurs who generate loans to finance to seek for new innovativeness establishment.

### **Product innovation and competitive advantage**

Studies have shown that product innovation is associated with competitive advantage. Angelmar (2010) carried out a study to examine the overall contribution of product innovation to competitive advantage. The study results revealed that successful pioneers enjoy broad and lasting competitive advantages since innovative is not riskier than following.

Various prospects such as relative advantage, compatibility, complexity of innovation, and the robustness of the associated marketing exertion determines the overall success. The study also established that customer and technological changes may possibly ruin the competitive value of these resources regardless of the fact that lead time countenance innovators to create resources that contribute to sustainability.

Murat (2012) found that green product innovation significantly positively affects both firm performance and competitive capability. However, the relationship that is deemed to exist between green product innovation and firm performance is only moderated by managerial environmental. As such, some suggestions for future researches were made due to various implications found from the study results against managers. Similarly, Ajimati (2012) indicated that product innovation in this company in fact contributed to its success in the business field. This is because it has enabled the company to gain large profit and some sort of market positioning. The author suggested a further research on marketing innovation to see what could be differently adapted to influence behavior and consumption pattern of consumers.

In Australia, Oke, Prajogo and Jayaram (2013) established that product innovation has a stake in stimulating firm performance than firm wide innovation. Atalay, Anafarta and Sarvan (2013) found that product innovation and organization performance have a positive relationship. Rosli and Sidek (2013) found that the product innovation dimensions (worth and effectiveness) has a positive impact; and are related to wine firm's performance. Reguia (2014) highlighted the role of the products innovation in realizing competitive advantage of companies based in Algeria. It was established through the study findings that continuance of companies depends on its capacity in developing competitive advantages in its products. This is because the companies' products allow it to gain fidelity from customers and extending its market share using product innovation.

Correspondingly, a previous study by Eggert, Thiesbrummel and Deutscher (2014) established a positive impact of product innovations on both revenue and profitability growth was established through the analysis results. On the other hand, service innovation activities were found not to be affecting the profitability of an average industrial company pointing to the costs of service innovation in goods-centered environments management challenges. The researchers argued that a different managerial mindset is required by managing industrial service innovation and therefore represents a fruitful area for scholarly innovation research. Gökkaya and Özbağ (2015) argued through the study findings that capability of the firms to introduce some new product, idea or process stimulated market share. In addition, the capacity of an organization to cope with competitive market conditions led to organization performance which was linked to organizational innovativeness.

In their study, Cristina, Siqueira and Cosh (2016) suggested that job rotation or multi-skilling and adoption and implementation of product innovations regularly within the timeframe of 2012-2014 are deemed be top most players in 2014. It was therefore established the study findings supported a theoretical model. That is, capabilities and competitive advantage at a

large extent are moderated by innovation. Mwangi (2017) concluded that in order to attain competitive advantage, organizations need to introduced new product in the market while improving the existing product in the market. The above Researchers however, did not clearly study the actual effect on Innovation Strategy on competitiveness, particularly in SACCO industry thus creating a gap and the need for further study.

### **Technological innovation and Competitive Advantage**

Various studies have been conducted to examine IT innovations impact on competitive advantage. In order to analyze the technological determinants of the competitiveness and the profitability of the companies, Enturk (2010) concluded that technological innovation is a very important factor for the firms to realize an increased competitiveness and profitability within a competitive global economy conditions. As such, by considering both internal and external factors to the firm, firms have to manage technological innovation successfully. Moghavvemi, Hakimian and Feissal (2012) indicated that the status of Malaysian SMEs to adopt IT innovation stated that IT environment is critical for the growth of SME, and can increase competitive strength of firms through process reengineering, cost reduction, efficiency and effectiveness. However, due to the fact that this study target behavior was related to the IT innovation adoption in general, and not to any application or specific systems, further research in the future was suggested in order to apply this model as a base model to examine different system/innovation in a different context.

In his study, Dereli (2015) concluded that technological developments should be highly considered and maximum benefits from technology should be taken to innovate. As such, the continuance of R&D activities and investments should be followed; and success can only be ensured through use of technologies compatible with existing systems. Likewise, Kalay and Lynn (2015) findings revealed that no significant technological capability impacts on performance were determined. As Terziovski (2010) noted, a possible reason for this finding can be associated with the fact that technology capabilities according to SMEs can be gauged as a supporting tool rather than performance determinant.

Ince, Zeki and Turkcan (2016) disclosed that absorptive capacity has a positive impact on technological innovation capabilities. In addition, there is positive impact between technological innovation capability and absorptive capacity on innovativeness. Damnjanović and Jovanović (2016) established that ehe degree of optimization of technological inputs and outputs in the SMEs development competitive capacity was also assessed by this study. Njoroge, Muathe and Bula (2016) indicated that IT innovations were significant in explaining the variation of performance of mobile phone companies. Correspondingly, Ibrahim (2016) concluded that firms should adjust to new and improved technology to assure survival in the fast changing innovations, making markets more competitive.

### **Process innovation and Competitive Advantage**

Process innovation involves introduction of new production techniques, administration techniques and expertise to better the production and management process (O'Sullivan &Dooley, 2009). Wong (2012) showed that there is a positive relation between green product



and process innovations and, green product competitive advantage and green new product success. Being the first ever research to be conducted in the e-industry in China, this study was able to address the existing gap in green innovation theory regarding the relationships between the key constructs of green innovation causal chain. Due to scant empirical research on same patterns within individual firms regardless of many studies to have fruitfully explored the adoption of product and process innovations patterns across industries, Damanpour and Gopalakrishnan (2014) addressed this issue and it was established through the research findings that high-performance banks adopt product and process innovations more evenly than low-performance banks.

In Sweden, Kenfac, Nekoumanesh and Yang (2013) found a positive impact on the municipalities financial and customers' performances was discovered through application of process innovation. In order to generalize the result, further research which will involve a larger scale of samples was suggested. This will allow gathering of more information about different perspectives in different municipalities. In Turkey Gunday et al., (2014) revealed that there are positive effects of process innovations on firm performance in manufacturing industries. Tuan, Nham, Giang and Ngoc (2016) established positive effects of process innovations on firm performance in supporting firms were demonstrated, which means the larger level of Process the greater the innovative performance. As such, in order create improvement in organizational structure and manufacturing processes, enterprises should focus and mobilize resources.

By employing a sample 100 business units, where the top manager or middle managers as the respondent, Riyadi (2017) showed that process innovation can enhance organizational competitiveness in the manufacturing industry context, and it has a greater influence in improving business competitiveness compared to other innovation strategies. In their study, Ihadid and Abu-Rumman (2014) indicated that moral green innovation positively and significantly affect organizational performance; as well as environmental management behavior was proven to be a significant moderating variable in the expense of green innovation and organizational performance. Therefore, they contribute immensely on the national economy level and significant savings achieved as far as industrial sector is put into consideration.

In Kenya, Nyamoita (2015) showed that there was a positive correlation coefficient that helped to establish a positive statistically significant relationship between sale of electricity, the prepaid process innovation measure and financial performance indicator of return on assets at KPLC. In his study, Mwangi (2017) concluded that process innovation was one of the key objectives and ensured that it is innovative with respect to organizational processes to impact competitive advantage.

### **Marketing Innovation and Competitive Advantage**

Marketing innovation is significant for the fact it contributes or allows organization to respond to opportunities available in a very competitive market where the organization should exploit and at the same time meet the customers' needs (Rosli et al., 2013). Tinoco

(2010) discovered that greater competitive advantage and, subsequently, firm success than either innovation alone can be gained through the positive synergy created by marketing innovation. Similarly, using an empirical approach, Mahmud, Alnawas and Yousif (2010) found a positive relationship between innovative marketing mix, management perception, customer involvement, innovative marketing information and creating a sustainable competitive advantage were established from the findings of this study. Thus, using the innovational thinking and measures, commercial banks in the modern generation ought to actively win more customers' favor and obtain more profit resources.

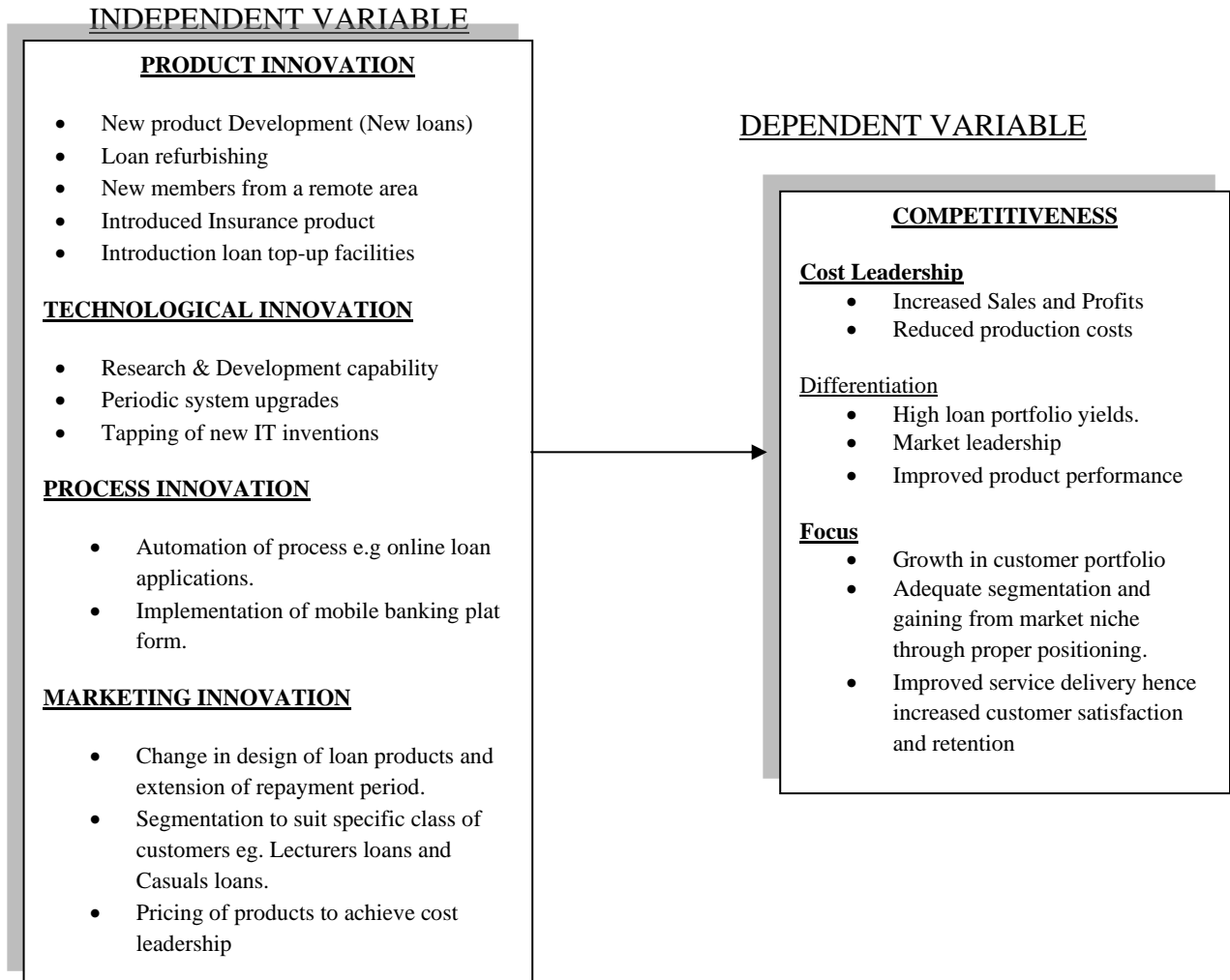
Mahrous and Kortam (2011) indicated that female SMEs entrepreneurial orientation Egypt influence on sustained competitive advantage through marketing innovation. By evaluating mediating influences of new product development, customer responsiveness, marketing effectiveness and marketing advantage, Muangkhot and Ussahawanitchakit (2015) established through the study results that marketing innovation strategy as a moderating effect has positive influence on the relationship existing between long term vision and market culture on learning orientation. Handoyo (2015) indicated there is a significant association between marketing innovation and competitive advantage. Thus, every increase of marketing innovation, enhances the embroidery MSMEs competitiveness. A study aimed at examining the marketing innovation effect on competitive advantage among importing companies was carried out in Iran (Ejrami, Salehi & Ahmadian, 2016). The study revealed through the statistical findings that the marketing potentials have an effect on competitive advantage of the importer company. On the other hand, competitive advantage might have an effect on performance of importation companies. Talaja et al. (2017) noted that past researches had identified market orientation as a key strategic tool that leads to competitive advantage and eventually to business success or performance. However, the contingencies that might uphold these relationships are not adequately addressed. The study developed a conceptual model containing three hypotheses. A sample of 265 medium and large-sized firms was employed. The findings indicated that marketing `orientation have an influence on competitive advantage.

There are various studies conducted on marketing innovation impacts on competitive advantage in Kenyan concept. For instance, Mutua (2016) had examined the innovation orientation effect on competitive advantage at Aitel Telecommunication Company. The sample size included 248 employees. The study concluded that firms should marketing innovation to assure survival in the fast changing competitive market. A study was conducted in order to examine the effect of innovation strategies on performance of organizations in the telecommunication industry in Kenya. The population for the study was customer service departments (Soi, 2016). The stratified random sampling procedure was used for the study and the sample size was established at 181 staff. The study findings disclosed that that marketing innovation improved performance of telecommunication businesses in Kenya.

### **Conceptual Framework**

This is a systematic apparatus with a few varieties and settings, used to make applied qualifications while constituting rationale at the same time. In innovation activities, there are

both independent variables which take in links among various practices such as product innovation, technological innovation, process innovation, and marketing strategies which contribute to the outcome of the dependent variable, competitiveness which is indicated by cost leadership, differentiation and focus.



**Figure 1: Conceptual framework**

## **MATERIALS AND METHOD**

### **Research design**

The study adopted a descriptive Design. This approach aims at delivering the ‘what’ of a phenomenon as argued by Cooper and Schindler (2003). As such, this study gathered information of what happens on the ground as concerns the innovative strategies adopted by SACCOs in South Imenti Sub-County. The justification for the choice of the descriptive survey research design for the study on innovation strategies and competitiveness is the circumstance that the phenomena being examined could not be manipulated due to the fact that it involved an already existing state of affairs. Therefore, this design described the impact of innovative strategies in SACCOs and identified how it enhances competitive advantage.

### **Target population**

The population of this study involved all the active SACCO’s operating in South Imenti Sub-County. There were 23 registered active SACCO’s operating in South Imenti - County according to SASRA as at September 2017., including the CEO.

### **Sampling**

The study was conducted in form of a census of all the 23 Saccos operating in South Imenti Sub-County by the end of September 2017. The researcher then purposively selected the CEOs and managers. The selection of this class of respondents was justified by the fact that they were best equipped with information sought by the study at hand as they are the policy makers and corporate stewards. Under purposive sampling, the researcher uses their own judgement to select the sample (Oso & Onen, 2005). The study therefore targeted a total of 46 respondents which met and even surpassed the threshold size of thirty (30) as argued by Mugenda and Mugenda (2003) as a rule of thumb, as adequate to allow for normal approximations.

### **Data Sources and Instruments**

The study used primary data collected using closed-ended questionnaires. The questionnaire was made up of six (I-VI) different sections. The first section consisted of questions associated with the respondents’ social-background information that included: duration of the Sacco existence, bond of the Sacco, length of service, age bracket, level of education and personnel task innovation strategies. The second – five section mainly handled the questions relating to independent variables (product innovation, technological innovation, process innovation and market innovation). Finally, the sixth section focused on questions relating to dependent variable (competitiveness). The questionnaire was in the form of Likert scale where respondents were required to indicate their views on a scale of 1 to 5 (Kothari 2004). The questionnaire was pre-tested on one of the respondents to determine its reliability for the intended purpose.

### **Reliability and Validity of Research Instruments**

Reliability is defined as the ability of the same person to obtain consistency of scores when taking repeated measurements at other times or under different conditions (Koul, 1993). Accordingly, co-efficient (Cronbach alpha) of 0.7 or above is used to measure internal reliability. The reliability coefficient is 0.7 and above was considered acceptable as indicated by Rousson, Gasser and Seifer (2002).

Bryman and Bell (2001) asserts that, validity is the correctness and reasonable of the information based on research results. To ensure content validity, the supervisor and research experts were expected to rate the instruments. Content validity is the degree to which content's items passably epitomises the universe based on relevancy of the study items in order to ensure that significant information was elicited (Best & Kahn, 1989). Construct validity as demonstrated by Kerlinger (1973) was also used for the purpose of determining whether the inferences made in regards to assessment results are significant. As a result, general purpose of the assessment was established. This provided direction of performance in the actual study.

### **Data analysis and presentation**

At first, the collected data was subjected to undergo an in depth data cleaning process. Data cleaning in this study involved the procedure of identifying and correcting corrupt or inaccurate records from the data set as demonstrated by Mugenda and Mugenda (2003). Diagnostic tests were carried out in order to make certain that the collected data complied with the basic assumptions in regards to key analysis techniques utilization such as regression analysis. Durbin Watson test-to test auto correlation, Shapiro-Wilk normality test-to test normality, Test Glejser –to test heteroskedacity and finally the Statistical Package for Social Sciences (SPSS) Version 23.0 -to test for multicollinearity -were the main tools used tools in conducting Diagnostic tests.

SPSS was also used to capture and edit data from the completed instruments. Then, the process of testing data was initiated. Descriptive statistics were derived from the data which included frequency data (mean, standard deviation and measures of relative frequencies. The results of the study were represented using tables and figures. Furthermore, the study undertook statistical testing. The study conducted multiple linear regression in order to test hypotheses between the dependent variable and the independent variables. The following regression model was adopted by the study to determine impact of innovation strategies on competitive advantage of SACCOs in South Imenti Sub-County. The equation took the following form:

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + e$$

Where; Y = Competitive Advantage,  $\alpha$  = Alpha (constant),  $\beta_0$ ...  $\beta_5$  = regression Coefficient to be estimated,  $X_1$  = Product innovation,  $X_2$  =Technological innovation,  $X_3$  =Process innovation,  $X_4$  =Marketing innovation, e = stochastic term

### **STUDY FINDINGS**

## **Descriptive Statistics**

### **Product Innovation and Competitive Advantage**

The study aimed at examining the product innovation related activities embraced by the SACCOs in South Imenti Sub-County, Meru County. In order to comprehend the purpose of the study, the researcher tried to find out product innovation activities implemented by Saccos. The statements were indicated by Strongly disagree, Disagree, Undecided Agree,) Agree, Strongly Agree.

**Table 1: Product Innovation**

<b>Product innovation</b>	<b>Mean</b>	<b>Std Deviation</b>
Introduction of completely new products.	4.2	0.1735
Modification of existing products features	3.9	0.0725
Changing part the product to tap a particular Niche in the market	2.9	0.6145
Review of loan terms to attract customers (e.g extension of the loan repayment period)	3.9	0.30075
Introduction of loan top-up facilities	3.4	0.74475
	3.7	0.18365

The study results are able to substantiate that different product innovations activities have been fully adopted by the Saccos under the study such as introduction of completely new products, modification of existing products features and review of loan terms to attract customers (for example, extension of the loan repayment period). Overall contribution of product innovation to Saccos competitive advantage is shown by a similar study conducted by Angelmar (2010) where prospects such as comparative advantage, innovation's compatibility and sophistication as well as robustness of the associated marketing exertion determines the overall success. Therefore, it is the responsibility of senior management in Saccos to create or utilize resources that contribute to sustainability.

### **Technology Innovation and Competitive Advantage**

The study examined another innovation strategy, technology innovation. The researcher sought to find out technology innovation activities implemented by Saccos.

**Table 2: Technology Innovation**

<b>Technology innovation</b>	<b>Mean</b>	<b>Std Deviation</b>
Adoption of new technologies to aid in decision making	3.2	0.0875
Continuous investment in Research and Development	3.4	0.0325
Undertaking periodic system upgrades	4.1	0.0248
Absorption of new ideas from external sources	3.6	0.12472
	3.6	0.053055

The research findings statistical data has shown that technological developments should be highly considered and maximum benefits from technology should be taken to innovate. As such, adoption of new technologies to aid in decision making, undertaking periodic system upgrades, absorption of new ideas from external sources and the continuance of R&D activities and investments should be followed; and success can only be ensured through use of technologies compatible with existing systems. This research is in agreement with Damnjanović and Jovanović (2016) findings that the progression involving the technological

inputs and outputs optimization in the SMEs development competitive capacity play a key role in underlining the fact that SMEs have positive attitude towards IT and E-business.

### **Process Innovation and Competitive Advantage**

The research also sought to investigate process innovation activities being put into exertion by SACCOs in South Imenti Sub-County, Meru County.

**Table 3: Process Innovations**

<b>Process innovation</b>	<b>Mean</b>	<b>Std Deviation</b>
Automation of office operations	4.4	0.0552
Adoption of mobile banking	2.5	0.00123
Adoption of internet banking	2.1	0.00384
Adoption of mobile phone technology to link with stakeholders	3.6	0.1350
	3.2	0.04755

Process innovation strategy is yet to be fully embraced by most Saccos in South Imenti Sub-County, notwithstanding the benefits associated with this type of innovation to both institutions' and members' interests, process innovation strategy is deemed to intensify in the near future due to its perceived prevalence and seriousness. These findings agree with Damanpour and Gopalakrishnan (2014) survey results; who addressed the issue of process innovation strategy at Saccos level and established that automation of office operations is most adopted process innovation strategy by Saccos in United States.

### **Market Innovation and Competitive Advantage**

Finally, the study accessed the market innovations activities adopted by Saccos in South Imenti Sub-County, Meru County.

**Table 4: Market Innovation**

<b>Market innovation</b>	<b>Mean</b>	<b>Std Deviation</b>
Targeting to recruit members from rural areas	3.9	0.1363
Continually segmenting the market	3.1	0.1632
Adopting different forms of communication to reach stakeholders.	4.1	0.1244
Opening of new branches to reach more customers and for their convenient.	3.6	0.1546
Employing of more marketing Executives to tap the members who are indifferent.	2.9	0.00953
	3.5	0.029166

These results are a sign that quite a number of Saccos in South Imenti Sub-County embrace adoption and implementation of market innovation strategy such as targeting to recruit members from rural areas continually segmenting the market and adopting different forms of communication to reach stakeholders since according to Tinoco (2010), marketing innovation dynamics throughout the industry life cycle is beneficial to businesses. This also shares a commitment to competitive advantage to various Saccos. Market innovation strategy seems to be effectively implemented, transversely in various industrial economies and businesses which seek to achieve a sustainable competitive advantage.

### Effect of Strategic Innovations Activities on Competitiveness

The next set of survey questions looked into aspects that Saccos believed affected their innovation activities. The statements were indicated by Strongly disagree, Disagree, Undecided Agree,) Agree, Strongly Agree.

**Table 5: Distribution of effects of strategic innovations on competitiveness**

Does your strategic innovations lead to the following in your organization?	Mean	Std Deviation
Cost saving in service delivery	4.2	0.0665
Increased growth of membership	4.4	0.0335
Improved quality of products	3.8	0.0248
Efficiency in service delivery	4.02	0.0192
Increased profits	3.7	0.1771
Customer/Member loyalty	4.1	0.0285
Increased investment return on the members	3.7	0.0245
Market leadership	3.1	0.0288
	<b>3.9</b>	<b>0.01059</b>

### Benefits of Strategic Innovations

The study attempted to explore the perceived benefits of strategies innovations acquired within the SACCOs in the last five years. Table 6 summarizes these results.

**Table 6: Benefits of Strategic Innovations**

Does your strategic innovations lead to the following in your organization?	1-5 %		5-10%		10-15%		15-20%		20-25%	
	(F)	(%)	(F)	(%)	(F)	(%)	F	(%)	(F)	(%)
Share Contributions	-	-	16	39.02	13	31.71	5	12.2	7	17.07
Member deposits	-	-	4	9.75	8	19.51	24	58.54	5	12.2
Loan Portfolios	2	4.88	9	21.96	11	26.83	15	36.58	4	9.75
Range of Products	4	9.75	11	26.83	14	34.15	9	21.96	3	7.31
Customer Portfolio	-	-	-	-	14	34.15	22	53.65	5	12.2
Surplus (Profits)	-	-	7	17.07	12	29.26	14	34.15	8	19.52
								Aggregate Mean	5.3	6.0983

### Inferential Statistics

The study employed Inferential statistics. This section allowed the research to scrutinize the probability of relationships between the independent and dependent variables of the study.

### Diagnostic Tests

The study employed Diagnostic tests in order to make certain that the collected data complied with the basic assumptions in regards to key analysis techniques utilization: Durbin Watson test-to test auto correlation, Shapiro-Wilk normality test-to test normality, Test Glejser –to test heteroskedacity and finally the Statistical Package for Social Sciences (SPSS) Version 23.0 -to test for multicollinearity.



**Normality Test**

A total of 41 responses were achieved in this study. For the reason that the value was less than 2000, Shapiro-Wilk test of normality was found to be suitable for the study. As demonstrated by Razali and Wah (2011), the Kolmogorov-Smirnov test would have been preferred if the responses exceeded 2000. The normality test key hypothesis was developed as follows.

H0: The observed distribution fits a normal distribution.

Ha: The observed distribution does not fit the normal distribution.

As such, rejecting H0 would point toward the assumption of normality.

**Table 7: Shapiro-Wilk Test of Normality**

	Kolmogorov-Smirnova		Shapiro-Wilk	
	Statistic Df	Sig.	Statistic Df	Sig.
Competitiveness	.498	.44		

**a. Lilliefors Significance Correction**

The Shapiro-wilk test P value for Saccos competitiveness was at 0.062. Due to the fact that this value exceeded 0.05 (5% level of significance), the research failed to reject H0 and an assumption that the data set involved a normal distribution was made. In that case, the researcher assumed that that the data set did not significantly deviate from a normal distribution as earlier demonstrated by both Shapiro and Wilk (1965) and Razali and Wah (2011).

**Multicollinearity Test**

The possibility that one predictor variable in a multiple regression model could be linearly predicted from the others with a substantial degree of accuracy which constitutes the multicollinerity problem was also tested in this study.

**Table 8: Multi Collinearity Test**

Model	Collinearity Statistics	
	Tolerance	VIF
1 Constant		
Product innovation	.599	1.324
Technological innovation	.236	3.439
Process innovation	.241	3.253
Market innovation	.312	2.650

**a. Dependent variable: Competiveness**

The Tolerance output values for this study predictor are 0.599, 0.236, 0.241 and 0.312 for product innovation, technological innovation, process innovation and market innovation strategies respectively. The minimum threshold of 0.10 considered ideal is surpassed by all the Tolerance values. Tolerance highlights proportion of variation in the case of the predictor variable which might be incapable of being accounted for by the other predictors of the regression model. Very small tolerance values cause predictor redundant. In detail, a further investigation would be warranted by values in tolerance that are below 0.10. The collinearity statistics Variance of Inflation Factors (VIF) output for product innovation, technological innovation, process innovation and market innovation strategies stand at 1.324, 3.439, 3.253

and 2.650 respectively, values which all fail to reach the recommended cut off point of 10. The reciprocal of tolerance is ideally represented by The Variance of Inflation Factors; that is, (1 / tolerance). As a rule of thumb, further investigation may be prompted by a variable whose VIF values exceeds 10; this an indication that there is a multi-collinearity problem. In the case of this study, a conclusion was reached on the absence of multi-collinearity problem in the data set.

**Test for Auto Correlation**

The Durbin Watson statistics, generated using SPSS was also conducted in the current. The table below summarizes these results.

**Table 9: Durbin Watson test for Auto correlation**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.752	.565	.563		2.358010	1.583

a. Predictors: (Constant), product innovation, technological innovation, process innovation, market innovation

b. Dependent Variable: Competiveness

As shown by table 9, the Durbin- Watson statistic  $d = 1.583$ , is placed in the middle of the two critical values of  $1.5 < d < 2.5$ . A conclusion was stated in regards to that effect that the first order linear auto-correlation involved in the multiple regression data seemed to be unavailable (Durbin & Watson, 1971).

**Test Glejser –to Test Heteroskedacity**

Heteroskedacity as defined by Long and Ervin (2000) confirms the likelihood of differences in the residual variance of the observation over time. Test Glejser decision decree was developed as follows:

If the value Sig. > 0.05, then heteroscedasticity problem is absent.

If the value Sig. 0.05, then heteroscedasticity problem is present.

**Table 10: Test Glejser for Heteroscedacity**

Model	Un-standardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.196	.172		1.243	.058
Product innovation	.463	.139	1.426	2.462	.052
Technology innovation	.249	.192	.457	1.512	.069
Process innovation	.419	.112	2.258	4.358	.057
Market innovation	.216	.073	.141	.966	.275

a. Dependent Variable: AbsUt

According to the findings revealed by the heteroscedacity test, the P values for product innovation, technological innovation, process innovation and market innovation were obtained as

Based on the results of the heteroscedacity test, the obtained P values for cost leadership, differentiation, focus cost leadership and focus differentiation were 0.052, 0.069, 0.057 and 0.275 respectively which all exceeds 0.05 (> 0.05). Therefore, there was nonexistence of heteroscedacity problem in the data set as demonstrated by Glejser (1969).

### **Correlation Analysis**

Correlation analysis is the measure of how variables are correlated each other. The correlation coefficient (r) is the common indicator. Pearson correlation (significance test for r) model is the distinctive tool used when validating linear relationship between two variables in the population. It implies that two quantitative variables must be tallied from each individual or case. The scales of measurement of the two variables under correlation scrutiny should be able to depicts correct correlation coefficient.

**Table 11: Pearson Correlation**

<b>Pearson Correlations</b>	<b>Competitive advantage</b>	<b>Product innovation</b>	<b>Technology innovation</b>	<b>Process innovation</b>	<b>Market innovation</b>
<b>Competitive advantage</b>	1.00000	0.62662	0.57612	0.469317	0.359154
<b>Product innovation</b>	0.62662	1.00000	0.056321	0.31200	0.35615
<b>Technology innovation</b>	0.57612	0.068421	1.00000	0.295932	0.25462
<b>Process innovation</b>	0.469317	0.44200	0.296142	1.00000	0.265811
<b>Market innovation</b>	0.359154	0.35800	0.414332	0.32223	1.00000

The results from the correlation table indicate that a positive relationship between product innovation and competitive advantage of Saccos exist. These results suggest that the study period (2017) competitive advantage of Saccos was enhanced through putting product innovation into practice; this relationship is confirmed by 0.62662 correlation coefficient. In a similar vein, prior findings by Siqueira and Cosh (2016); their study was set to determine the existing relationship between product innovation and competitive advantage among UK SMEs, established that product innovation positively impacted competitive advantage of UK SMEs.

The correlation between technology innovation and competitive advantage was also sought after. The study results indicate that there is a positive relationship between technology innovation and competitiveness of Saccos in South Imenti Sub-County, Meru County. This association is confirmed by 0.57612 correlation coefficient. In agreement with these survey results, Atalay, Anafarta and Sarvan (2013) study revealed that product innovation is positively correlated to competitiveness.

Process innovation was found to be positively associated with competitive advantage. The direct association between the two variables is confirmed by a correlation coefficient of

0.469317. In agreement with these findings, Riyadi (2017) study established process innovation positively impacted competitiveness among manufacturing SMEs in Indonesia. Finally, the study results indicate that there is a positive association between market innovation and competitive advantage of Saccos in South Imenti Sub-County, Meru County. This association is confirmed by 0.359154 correlation coefficient. In agreement with these findings, Talaja et al. (2017) revealed that marketing orientation have an influence on competitive advantage among Croatian SMEs.

**Regression Analysis**

The study considered multiple regression model which was instrumental in determining the relationship between innovation strategies and competitiveness of Saccos at South Imenti Sub-County, Meru County, Kenya. The regression executed at 0.05 ( $\alpha$ -significance level). The table 12 presents multiple regression model summary. The predictors remain product innovation, technology innovation, process innovation and market innovation strategies.

**Table 12: Model Summary**

Model	R	R Square	Adjusted Square	R	Std. Error of the estimate
1	.821	.674	.653		4.932
a. Predictors: (Constant), outcome of product innovation, technology innovation, process innovation, market innovation					

The results showed that all the study independent variables (product innovation, technology innovation, process innovation and market innovation strategies) explained 67.4 percent variation of competitiveness of Saccos. In the view of the four independent variables applied in this research, there was a probability of predicting competitive advantage by 67.4% ( $R^2=0.653$ ). Denoting the remaining 33.6% is accountable to other strategies influencing competitiveness not considered in this empirical research.

Analysis of Variance (ANOVA) was employed aimed at testing the regression model significance with reference to differences in means involving study variables. Table 13 represent the results summary.

**Table 13: ANOVA**

Model	Sum of squares	Df	Mean square	F	Sig
<b>Regression</b>	27.26200	2	4.13200	26.175	.000b
<b>Residual</b>	25.1510	170	0.0690		
<b>Total</b>	52.413	173			
<b>a. Predictors: (Constant), outcome of product innovation, technology innovation, process innovation and market innovation</b>					

The study results illustrated by table 13 reveal that F-value of 26.175 along with p value of 0.00 significant at 5% is an indication that the whole regression model is found to be significant, as such, the independent variables shared impact was significant in predicting competitiveness of Saccos. These study findings confirm that the overall regression is significant. Therefore, a conclusion was made that at least one of the independent variables product innovation, technology innovation, process innovation and market innovation strategy was a suitable predictor of competitiveness.

The regression coefficient was also conducted using the study independent variables against dependent variable. Regression line figures are clearly demonstrated by the coefficient table. Patently, Beta column point to the values concerning the intercepts.

**Table 14: Regression Coefficient**

Model	Un-standardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	17.147	6.112		2.843	.006
Outcome of product innovation	.259	.039	.464	5.962	.000
Outcome of technology innovation	.313	.048	.499	4.582	.000
Outcome of process innovation	.169	.046	.248	2.938	.000
Outcome of market innovation	.296	.043	.511	5.956	.005

Multiple regressions findings involving the innovation strategies (product innovation, technology innovation, process innovation and market innovation), the competitiveness of Saccos will be 17.147. It is revealed that every increase in innovation strategies will significantly lead to competitiveness of Saccos. Correspondingly, the impact of product innovation strategy was represented by the t-test value (5.962) therefore, indicating that the standard error linked to the parameter is found to be less than the impact of the parameter. In agreement with present statistical results, competitiveness at a large extent is demonstrated by product innovations (Gökkaya & Özbağ, 2015; Siqueira & Cosh, 2016).

Further, the findings of the study as well reveal that every increase in technology innovation will significantly results to increase in competitiveness of Saccos. The influence of technology innovation strategy is indicated by 4.582 t-test value which is an indication that the impact of technology activities is exceeded by the error. Previous statistical results between technology innovation competitive advantage support the current findings which established that the latter is enhanced by technology innovation (Karagouni & Papadopoulos, 2012; Ince, Zeki & Turkcan. 2016).

Process innovation strategy was also found to significantly contribute to an increase in competitiveness of Saccos in South Imenti Sub-County, Meru County. The influence of process innovation strategy was indicated by 2.938 t-test value; indication that the standard error linked to the parameter was found to be less than the parameter initial effect. On a similar vein, various studies (Riyadi, 2017; Nyamoita, 2015; Mwangi, 2017) demonstrated various positive facets through process innovation strategy in the view of top managers that stresses upon favorable conditions of doing business within Saccos.

Finally, Table 14 reveals that every increase of market innovation strategy will significantly contribute to an increase in competitiveness of Saccos in South Imenti Sub-County, Meru County. The t-test value = 5.956 confirmed these findings. This entails that the standard error demonstrated by the parameter is found to be less than the influence of the parameter. The present results are in line with Mahrous and Kortam (2011) who concluded that SMEs entrepreneurial orientation in Egypt is as result of influence on sustained competitive advantage through marketing innovation.

## **CONCLUSION AND RECOMMENDATIONS**

### **Conclusions**

The influence of innovation cannot be undermined due to its role in contributing to competitiveness, profitability and entire performance firms. When innovation is generating an affirmative concerted effort for the company, it is said to be yielding an eye-catching basis of competitiveness.

It was concluded, going by the results of the Correlation Analysis that the relationship between product innovation strategy-competitiveness is very strong and positive which is an indication that increase in product innovation would significantly enhance competitiveness of SACCOs. A further conclusion was made, going by the regression results that product innovation influences greatly the SACCOs competitiveness.

On technological innovation, it was concluded that the technological innovation strategy greatly and significantly influenced the SACCOs competitiveness. Correlation analysis results led to a conclusion that the relationship between technological innovation-Saccos competitiveness is strong and positive. The implication is that technology strategy within Saccos can facilitate decision making and overall firm competitiveness through undertaking periodic system upgrades, absorption of new ideas from external sources and the continuance of R&D activities and investments.

It was also concluded, guided by the correlation analysis results, that marketing innovation and competitiveness of SACCOs exhibit a strong and positive relationship. It was further concluded, going by the regression analysis results that marketing innovation was a major determinant of the SACCOs competitiveness. Therefore, SACCOs should always review and improve this strategy in order to ensure its associated advantages are achieved.

### **Recommendations of the Study**

The thesis recommends that firms have a duty to make certain that innovations strategies are adopted and implemented. Another recommendation is that innovation should involve all members of staff in the SACCOs and it should not be seen as a management function but it should be seen as bridge towards effective communication within the organization. In that light, adequate planning should occur before innovation strategies are implemented in order to ensure maximum benefits are realized.

The study suggests that SACCOs in Meru should adopt innovation strategies that are within reach of their individual SACCOs and not just adopt strategies because their competitors have adopted certain strategies. Hence, their ultimate goal in regards to innovation strategies adoption should attain both competitive advantage excellence involving their performance which accounts to high Rate of return on Investment (ROI).

### **Recommendation for further research**

This thesis brings forth the understanding of strategic innovations in the context of Saccos competitiveness. For that reason, this study recommends the following:- to gather additional practical statistical data and compare the effect of strategic innovations on competitiveness among different scope and sizes of organizations. Bearing in mind that suitable sizing of organizations or institutions is a very critical matter as far as empirical research is concerned, scholars literally fail to consider size as a prospective impact on competitive advantage. Therefore, this thesis vouches for assessing the existing relationship linking Saccos size and competitive advantage in the major firms in the country.

This study explored the effect of strategic innovations and Saccos competitiveness. It recommends to conduct further empirical surveys on other service sectors of economy like the insurance sector.

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