

**INFLUENCE OF MARKETING INNOVATIONS ON THE PERFORMANCE OF  
SOAPSTONE SMALL AND MEDIUM ENTERPRISES IN KISII COUNTY**

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## ABSTRACT

The ability of a firm to proactively respond to the market place changes arising out of the customer demands, changes policies and regulations will determine its capacity to survive. Marketing innovation is one of the strategies that a firm operating in a competitive business environment can adopt to remain competitive due to its ability to facilitate the generation of new ideas, bringing them to life and eventually creating new customer value. The objective of the study was to determine the influence of marketing innovation on the performance of soapstone small and medium enterprises in Kisii, County. The specific objectives of the study is to establish the contribution of marketing innovation in achieving superior performance among the SMEs and also to determine the extent to which SMEs in the sector are responsive to changes in the target market. The study adopted a cross sectional descriptive survey design whereby all the 46 registered Soapstone SMEs in Kisii County were targeted. Data was collected through the use of a semi-structured questionnaire and the data collected was analysed using descriptive measures. The findings of the study are that the marketing innovation principles took the form of collaboration with firms in their distribution line and among themselves, continuous ideation of new ideas, value creation and implementation of the marketing ideas. The influence of marketing innovation on the SMEs performance was manifested in terms of increase development of products that are perceived by customers as more reliable than competitors' products, increased product range and revenue generated. From the regression equation, the coefficient of independent variables is positive, and this implies that the adoption of marketing innovations by the soapstone SMEs has positively affected their performance. In line with the findings of the study, the researcher concluded that for effective implementation of marketing innovation principles, there is need for the SMEs to appreciate and incorporate these principles, set aside requisite resources to support policy and related strategies. There is need to incorporate both the County and National Governments for policy formulation targeting the SMEs as well as for support in infrastructural development and coordination through established agencies with requisite skills capable of supporting them in capacity building, protection of patents and intellectual property, marketing, gathering information on market trends and policy formulation. Consequently, it is recommended that Kisii County Government recognizes this invaluable resource, develop policies to support the sub-sector and invest in infrastructure for proper harnessing and marketing of the products owing to potential it holds in job creation and wealth generation for both traders and revenue generation for the County. The study was limited to enterprises in the soapstone industry whose findings cannot be generalized to other firms outside this subsector and indeed other SMEs in other sectors in the county and the Country. The researcher proposes that further research be undertaken to establish why there is a decline in the sector's popularity with many youths opting to motor cycle business which assures them instant cash each day. Additionally, an investigation can be carried out on the rise of the granite stone for many functions that soapstone formally performed as well as the propensity of some of the soapstone SMEs to diversify into hardware business.

## **DECLARATION**

This project is my original work and has not been presented for a degree in any other University.

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This project has been submitted for examination with my approval as the University Supervisor.

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

In today's very competitive and ever changing business environment, only firms that are capable of proactively responding to the changes in the market place in respect to policies and regulations can survive. This therefore calls for firms to scan the operating environment for appropriate technology, gather requisite market intelligence in terms of policies and regulations to inform their production activities, marketing and financial plans in order to stay on course, improve the firm's performance and stay ahead of competition. Ability to innovate is a key factor for enterprise performance. The ability to innovate to help extends to customer requirements (Rosenbusch, Brinckmann & Bausch, 2011), which is a requirement for a successful year on the market.

The study was anchored mainly on two theories namely the Resource Based Theory (Barney, 1991) and the Diffusion of Innovation Theory (Rogers, 1983) respectively. The resource based theory opines that internal organizational capabilities which can be in form of employee competence or assets contributes to superior performance of organizations and helps in gaining a competitive advantage. This implies that once the soapstone traders' identify their internal resources that are rare and imitable; they will be able to configure their assets and processes to gain improved performance.

The Diffusion of innovation theory explains how new ideas or innovations are adopted by a firm and proposes that effective innovations made by a firm should be compatible to the business line that a firm follows, should be compatible with its current resources and also be observable. Hence, though the soapstone traders are encouraged to come up with new innovation systems, they need to ensure that the said innovation rhyme with the existing firm operations and environment that it operates in.

In addition, companies should likewise have better advertising capacities than put up their products for sale to the public quicker and serve customers superior to their opponents. In addition to the capabilities of innovation and commercialization, companies must also have the ability to analyze successful and failed activities in order to develop and launch products

and acquire new knowledge to identify improvements and new ways of working closely with clients (Prieto and Revilla, 2016).

Pavitt (2001) opines that firms with high adaptive capability have been found to perform better than low adapters, despite the implication of high cost and inefficiency. Consequently, organizations have adopted the marketing innovation and adapting their capabilities to the market demands to embark on performance that will be a source of competitive advantage and embrace the usage of organization capabilities. In addition, O'Dwyer, Gilmore & Carson, (2009) suggest that marketing innovations create a wide array of new marketing opportunities for organizations such as improving efficiency and cost effectiveness, high quality products and services.

In Kenya, SMEs are faced with environmental turbulence emanating from marketing innovation advances, changes in consumer demand and new regulations. Market dynamics and business environment challenges are causing increasing uncertainty for organizations due to increasing customer expectations, confusion between competing environments and the transition to global competition.

Organizational learning enhances a firm's adapting capabilities by improving the level of the firm's competitiveness and performance (McPherson, 2004). To enhance performance and to survive from competition, the SMEs have had to come up with new marketing innovations to make greater efforts to improve constantly their capabilities. Additionally, marketing, innovation, and capabilities are certainly related to SME performance and that these capabilities relate with one another to create great synergy in increasing SME performance.

### **1.1 1 Concept of Marketing Innovation**

Innovation is essential to the survival and success of firms in dynamic and complex organizational environments (Rowley, 2011). Innovation means the ability of a firm to come up with new ideas, bringing them to life and eventually creating new customer value (Rogers, 2003). It is also described as the expansion of new methods in the framework of the strategic organizational behavior and model (Garcia & Calantone, 2012). Marketing innovation emphasizes on changes in knowledge from the revelation of something new and sales growth by changing consumer demand from the flexible to the most inelastic market segments by providing better value to customers.



Jones, (2010) argued that marketing innovation is an advancement of a firm's capacity to creating and designing new products and administrations aimed at picking up a business sector. This includes updating, new means of advancing the product, new strategies of supply channels and new routines to evaluate assets and valuation services, which are important for many organizations that lead to the sustainability of marketing.

The basis for marketing innovation is to re-conceive the existing industry model in order to generate new value for consumers to get consumer information effectively, weaken competitors, and generate new benefits for all stakeholders. Marketing innovation by firms are driven and determined by various factors in the environment including customer-supplier relations, market conditions, network studies, market conditions and external knowledge infrastructures (Simmonds, 2006).

Marketing innovation is an advantage over competitive profits by providing consumers with greater value through reducing prices and the provision of benefits and services that justify a higher price. Sustainable marketing innovation is the long-term advantage of implementing a special value creation strategy that has not been implemented by competitors and the inability to duplicate the company's profits. Innovation of marketing is the revelation and usage of new advancements, new merchandise and ventures, new client encounters, new procedures, new markets, new channels and new plans of action.

### **1.1.3 Organizational Performance**

Griffin, (2003) defined organizational performance as the extent to which the company can meet the requirement of its stakeholders and their survival wants. Gibson (2010) has defined organizational performance as the end result of a company and contains some things, like the existence of certain goals, has a period of time to reach these goals and to attain efficiency and effectiveness. Therefore, hierarchical execution alludes to an organization's capacity to accomplish objectives like high gainfulness, quality item, substantial piece of the overall industry, great money related outcomes and survival at a foreordained time by utilizing an important activity technique.

On other hand, it is the significant gainful result of a framework in the kind of merchandise or administrations. The organizational structure that deserves it is subdivided into three categories: a financial performer, an internal affiliate and no financial. Private gambling

organizations struggled to obtain good financial results, that public organizations are directed to non-financial goals, such as providing good public services to citizens. Before initiating a session on the road, the organization will consider how to activate and implement it with the task of creating a new product (Van Weele, 2006).

The performance of any business firm is influenced by the strategies which have been chosen. Organizational performance requires key selection and measurement variables that will enable the company to detect and monitor its competitive position in the business environment. Performance for the organization depends on controllable and uncontrollable variables.

The performance of the organization can be explained in three dimensions: investment performance, sales margin, capacity utilization, customer satisfaction, and product quality (Kumar, 2011). Cole, (2005) emphasizes that the use of financial measures neglects the fact that what enables the organization to attain or deliver better financial outcome from its operations is the achievement of its strategic goals, which in turn improves your competitiveness and the strength of the market. In addition, in the services, non-financial services are given serious consideration. Financial performance can be mainly measured through accounting indices, but non-financial performance must be measured in subjective terms.

Non-financial organizational performance is recognized as effective marketing activities of the organization and can be assessed through customer satisfaction, customer loyalty, customer benefits and market share. It is all these elements, only market share can be measured quantitatively, while all elements of financial performance can be measured easily and quantitatively (Coombes and Watson, 2010).

## **1.2 Research Problem**

Marketing innovation is an important strategic position that a firm takes because it has been established that it has vital effect on the performance and competitiveness of a firm. Indeed Atuahene-Gima (2016) asserts that firms that pursue specific market opportunities without being innovative in their marketing function are unlikely to achieve superior performance because it is through the establishment of an appropriate marketing innovation and adaptive

capability that a firm is able to develop products that will be successful in the market. Further, O’Cass and Weerawardena (2010) are of the opinion that marketing innovation roles, like other critical organization processes like management of strategy, human resources, finance and marketing is becoming a critical ingredient to the realization of a firm’s core business strategies and requirements.

According to McAdam and Keogh (2004) who studied the nexus between a company's performance and the importance it places on innovation will determine the effectiveness that a firm will achieve in its operations in a competitive business environment. They discovered that the company's inclination towards innovations was critical vital in realizing improved competitiveness. Miller (2001) states that most companies seek technological innovation to obtain a competitive advantage in their market. Therefore, all these efforts may require support for marketing and organizational measures. In general, Damanpour and Evan, (2004) researched on neglect marketing innovations, which are equally essential for the growth and effective functioning of a company

The Soapstone is a rare transformative shake made essentially out of powder, with fluctuating measures of chlorite, micas, carbonates and different minerals only found in Tabaka in Kisii County. The soapstone products have been used in a number of ways including countertops in kitchens, sinks, cemetery makers, trophies, wall tiles, bowls and plates, ornamental carvings and sculptures among others. The Kisii soapstone industry started way back in 1885 (The Standard 2009) and it is now one of the key sectors that contribute significantly to the economic well-being of the population of the Kisii County (Kisii County Investment Guide 2015). The trading of soapstone involves men and women both old and young with the men traditionally doing the digging, mining and curving while the women polish, wash, paint, wax and pack respectively.

Soapstone enterprises are a multi-million handicraft manufacturing entities employing thousands of people in the processing and marketing activities (Amimo, E.K). According to the Kisii County Trade Office 2016, there are 46 registered SMEs that deal exclusively with Soapstone mining and sale of its products and support over 22,000 persons directly and indirectly (Kisii Branch Chamber of Commerce and Industry, 2015). The Kisii soapstone is believed to be found in Kisii County only and is available in various colors ranging from ivory, grey, bluish, brown, white, yellow and pink. Apart from carvings, soapstone can be micronized into fine powder for use in the paint, ceramics and agrochemical industries.

By the end of year 2015, the County Government of Kisii in its annual report estimated that around 20% of the soapstone deposit had been mined leaving a large unexploited deposit. However, in the same 2015 County report, it decried a lack of adequate diversification of product range that the locals are getting from the soapstone and also concentrating in traditional markets of selling their products in major towns and limited foreign countries. The same county report identified the need for the Soapstone traders to employ new marketing platforms such as social media and also diversify their target markets both within the country and in the foreign markets.

Locally, Gitonga (2003) studied the processes of innovation and the perceived role of the CEO in the banking sector, while Kihumba (2008) conducted a study on the determinants of financial innovation and its effects on the performance of banks in Kenya. Relatively few studies on innovation capabilities support organizational and marketing innovations. Josephine (2008) points out that the artisanal sector faces many challenges due to lack of organization, lack of adequate education for operators, low investment capital, scarce exposure to new technologies, lack of market information and little cooperation institutional.

Most of the SMEs in Kisii County that deal in soapstone and soapstone products have not adopted new marketing systems or adapted their processes to the changing market demands and there is need for these firms to be flexible and adjust to the emerging market conditions. This gap formed the basis of the research question: what is the influence of marketing innovations on the performance of soapstone small and medium enterprises in Kisii County?

### **1.3 Research Objectives**

- i. To investigate the influence of marketing innovations on the performance of Soapstone Small and Medium Enterprises (SMEs) in Kisii County
- ii. To establish the extent to which SMEs in the sector are responsive to changes in the target market

### **1.4 Value of the Study**

#### **1.4.1 Industry**

The study is expected to aid stakeholders of SMEs in Kisii County, in appreciating and applying the various principles of marketing innovations with the aim of influencing the firm's performance. From the findings, the management of the soapstone SMEs is expected to benefit from various variables on marketing innovations that they can utilize to grow their

businesses. The ability of firms to identify marketing opportunities as well as challenges in the operating environment and how they will develop management strategies that enables them exploit opportunities and address any challenges is crucial to their sustained performance and success.

#### **1.4.2 Policy Makers**

The policy makers and other regulators of the SMEs are to find the study an invaluable source of information on the role of marketing innovations in achieving superior performance. These innovations can be adopted and help them establish policies that will guide and encourage other organizations/agencies within and out of the County Government in implementing their strategies. The study will inform and guide the County government of Kisii to formulate appropriate policies that are supportive to the development of SMEs in this sub sector and set aside resources that will ensure that the players in the soapstone industry are equipped with relevant skills, modern equipment and delineating proper working sites that will enable them make market driven designs and streamline marketing of these products.

#### **1.4.3 Academia**

For academics, this study will provide the basis on which other related and duplicated studies can be based. It will also help learners to realize value from their investments in market innovation and improve on their performance within the business environment.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of literature, particularly the literature review focuses on study variables, and the discussion includes, the theoretical bases of the study. The literature focuses on the role marketing innovations in achieving superior performance among soapstone SMEs in Kisii Country.

#### **2.2 Theoretical Foundation of the Study**

The importance of marketing innovation in today's business environment has been a familiar point of discussion by several scholars. Different sets of explanation can be found as to why a organisation should embrace marketing innovations in order to compete in today's open and aggressive markets. The concept of marketing innovation can be looked at from two theories, namely; Resource- based view theory and Rogers's innovation diffusion theory.

##### **2.2.1 Resource Based View Theory**

The resource-based theory states that each company is essentially a set of resources and capabilities that determine the company's strategy and performance; and if all companies on the market have the same set of resources and capabilities they will create the same value and therefore there is no competitive advantage available in the industry (Barney, 1991). The basis for resource-based vision is that successful companies will find their future competitiveness in the established of distinctive and special capabilities that can often be implied or intangible in character.

This theory posits that organizational resource contribute to higher towards the realisation of organizational performance and at the same time be able to compete favourably with the other players in the sector (Bharadwaj, 2000, Tippins and Sohi, 2003). This can also be applied to individual performance as in many cases; the performance of the organization depends to a large extent on the performance of the people. Small and medium businesses usually develop their skills through the knowledge management strategy. In addition, Amit and Schoemaker (2003) noted that skills refer to the ability to assemble, integrate, and deploy valuable resources to improve performance. This vision states that knowledge management among companies is the result of acquiring knowledge and making good use of them to add value to companies.

According to this theory, organizations want to keep a distinctive product (competitive advantage) and cover gaps in resources and capabilities in the most profitable way. This theory emphasizes that resources within the company are the main driving force behind a company's profitability and strategic edge. Each company designs and implements various strategies to create competitive advantages so that they can overcome their competitors and achieve a higher profit rate. To get a higher competitive edge, Besanko (2003) argues that a company must create more value by using its own stock of distinctive resources and capabilities.

For long-term profitability, a firm must ensure its successful strategies and competitive strategies are sustainable. The theory view of the firm, blended with a marketing innovation perspective, highlights the effective ways of coordinating marketing activities within the firm. Gold (2011) argues that it is effective for firms and management to create a unique capability that determines their overall effectiveness. This indicates that companies can and will be different on the basis of their precious marketing management skills that are complex to acquire and difficult to imitate, which provides them with a competitive advantage (Chuang 2004). The theory asserts that the marketing innovation and capabilities are explicitly recognized to be central to the creation of competitive advantage in a dynamic market.

### **2.2.2. Diffusion of Innovation Theory**

Rodgers and Rogers (1962) defined diffusion as the process of widening an innovative idea from its foundation of discovery or creation to its definitive users. It is the process through which innovation is adopted and acceptance of members of a certain society is achieved. However, innovation is used to match the nuance of a new technology adopted. Broadcasting is concerned with the stage in which technology is adapted by the general public for application and use. The theory of diffusion has been incorporated in a number of disciplines, from instructional technology, marketing to agricultural research carried in 1968 by Rogers. He further found that a number of factors interacted to influence the diffusion of an innovation.

The dissemination of the theory of innovation (Rogers, 2003) clarifies how new thoughts or advancements are received and proposes that there are five development traits that influence reception, specifically; its relative preference, capacity to test, similarity, many-sided quality,

observability and observability. Moreover, the theory is of the view that for a new technology to be readily accepted, then it needs to be clear and generate an unambiguous advantage over existing technology. Theory is a cost-benefit analysis where the biggest obstacle is uncertainty. The organization adopts innovation if it believes that together they will improve their utility.

The four main factors influencing the dissemination process are the new information itself, the way information is communicated about innovation, the time and nature where it is introduced. He noted that the continuum on dissemination innovation acquires S-Curves and recognizes five categories of participants: innovators, first-time users, early majority, delayed and delayed majority. Innovators tend to be experimental and "technology" interested in the technology itself and is financially stable, educated, risk-prone, and considered equal to other groups, while the former can be technically sophisticated and interested in technology to solve professional problems and academics.

In addition, the initial majority is pragmatic and constitutes the first part of the mainstream; the vast majority feels less comfortable with the technology and is the second skeptical half of the mainstream. In addition, delayers may never adopt technology and may be antagonistic and critical of its use by others. They are financially less stable, conservative, less educated and fearful of taking risky operations. It is very widespread that technology satisfies a need and that each of them obtains a measure of the initial commitment of resources by a superior administrative or legislative entity.

The process of adoption and dissemination in organizations generally follows what has been termed the "traditional model", a "top-down" process in which the "administrative mandate" introduces technology and perceptions, decisions and strategies determine the adoption. Therefore, the adoption of success largely depends on the degree, stability and wisdom of administrative sponsorship (Greenhalgh, 2004).

## **2.3 Elements of Market Innovations**

### **2.3.1 Collaboration**

Collaboration is a family business activity group for industry development. There are also many initiatives to collaborate. Collaboration is an involving exercise, especially because there exist conflict and competition in the market (Becherer, 2001).



Therefore, collaboration / cooperation involve three fundamental aspects: relationships, processes and results. Collaboration means working together (processes) something in common (results). Teamwork is incredibly helpful in generating consensus, increasing incentives and participation levels, teaming up and forming younger members. It provides fertile ground for tests, which is more innovative for the organization.

Collaboration consists of two types: Vertical collaboration in the entire production chain of a firm products, down the supply of crude materials to the generation and get together of parts, segments and frameworks, their appropriation and administration, and flat joint effort between accomplices at a similar level of creation procedure of Freeman, (2009). Additionally, coordinated effort between firms can take an assortment of structures, as R&D contracts or innovation trade assentions which includes the association sharing goals of the exchange of research discoveries.

### **2.3.2 Ideation**

It is the process of producing, increasing, and communicating innovative ideas, where an idea is implicated as a basic component of consideration that can be illustration and real. Ideation contains all phrase of a deliberation cycle, from innovative to expansion and actualization.

Ideation requires both a divergent and converging thought. It also dissimilar intuition includes producing more plans to address the detailing of the planned issue and, subsequently, increment choices relying upon the issue definition. Thoughts at this stage can originate from any point in relation to current domain or current paradigm. On the other hand, the convergent thinking, involves the reduction of possible solutions to be followed and, consequently, the reduction of the space of the solution to few viable feasible options Coyne (2007).

### **2.3.3 Implementation**

Successful Innovation requires proper implementation of the ideas formulated out of the suggestions and use them in building the culture that will sustain performance in the organization. Therefore, the process of implementing innovation must exist separately and clearly from the overall business strategy. In general, there are moments in the history of an organization when the need for innovation becomes clear.

It can be a long run of revenue growth, a succession of lost offers, or a competitor's new product (Pfeffer & Sutton, 2000). Klein & Ralls, (2005) argued implementation policies and practices of the organization establish the success.

The implementation process comprises of the maintenance of high level of training to staff members on the application of new innovation; providing technical assistance to users of innovation, if necessary; the availability of prizes for the use of innovation; and the quality, accessibility and ease of use of technology. According to Klein (2001) organization associated with high-quality of implementation practices are found to be more successful in implementing resource planning strategies like marketing innovation, in comparison to those firms whose implementation policies and practices were of less quality.

Organization climate is necessary for innovation implementation because it involves employees sharing insights of the vital of innovation implementation within the team. The team which is well-built and aimed on innovation implementation has a higher precedence of success implementation (Both Klein 2001). Nord and Tucker (2007) noted that accessibility of financial resources is necessary in the implementation of innovation. This implies the active offering of comprehensive training to offer ongoing support to the user to launch a communication campaign that explains the advantageous of innovation and to relax performance standards while staff learns to use innovation.

Availability of financial resources is a vital predictor of the overall quality of company policies and implementation practices and, hence, indirectly as a predictor of the effectiveness of organizational implementation. Edmondson (2001) emphasized that learning orientation is significant during the implementation of innovation, due to the implementation is rarely an easy process, without complications or instant success. The organization with a strong learning orientation permits members to overcome like obstacles, experiment, adapt and persevere in the use of innovation.

#### **2.3.4 Value Creation**

The reason of innovation is to generate business worth. Green (2002) has defined value as an incremental improvement of existing products, the creation of completely new products and services or the reduction of costs.

Most companies try to create value because their survival, growth, and ability to compete in a rapidly evolving market depend on the fact that they innovate effectively. Creating brand new value is at the center of economic development and adaptive population effectiveness (Moran and Ghoshal, 2009).

The value creation is the result of result that involves the new combination and the exchange of known application resources and is implemented in new contexts (Schumpeter, 2008). Porter (2005) argues that the creation of value in companies develops / invents new methods of doing things utilizing new method, new innovations and/or new types of crude material. Along these lines, when the association is the unit of investigation, the action of advancement and innovation influences the way toward making esteem.

In addition, Damanpour (2002) noticed that inventive in firms have presented new merchandise or benefits or new administration rehearses for products or administrations. Garud and Venkataraman (2009) bolster a purposeful push to set up another thought that includes imperative market, specialized and authoritative ambiguities; with respect to a guarantee to aggregate responsibility over a drawn out stretch of time; and it requires a greater number of assets than those presently held by the gatherings included. It can be considered as far as projects and motivations for enterprise and development to empower existing organizations and new business activities to enhance and extend their incentive to the association.

#### **2.4 Relationship between marketing innovation and Organizational Performance**

Innovation in marketing is necessary in organizations because it contains the skills and knowledge necessary to attract, master and effectively improve existing skills and create new products (Peeters & van Potterslberghe Potterie, 2005). The adoption skills of company permit the organization to take advantage of market opportunities. Marketing innovation is important because it facilitates the accumulation of knowledge, which is mainly integrated in resources and processes. It is vital to acknowledge that marketing innovation capabilities are not easy to measure due to the tacit character of knowledge (Peeterset, 2005).

Marketing innovations are used to gather detailed information about market growth activities over a period of time and, when possible, financial investments in these assets. In addition, it can be supplemented with general information about the industry in which the organisation

operates, which could be collected by innovation, available from various sources (for example: National Statistical Institutes (OECD, 2005).

The rise of market innovation is turning most social cities in terms of business agglomeration and the well-being of the society. Most of the organizations today focus on destinations that are able to promote themselves online as modern and innovative successfully as well as destinations that are capable of holding what they promise online and offline (Santos-Vijande, 2012).

Marketing innovation has contributed to the achievement of organization goals through advancement of marketing strategies (Pearlman, 2008). It has also promoted high economic value that is generated through the higher standards and good climate that destination places offer (Davidson and Rogers 2006). In economic uncertain markets innovation has been used to support the industry in saving time and costs. Marketing innovation has made small and medium enterprises (SMEs) to understand the need to provide innovation across the market centers which has facilitated effective communication with their clients.

Marketing innovation facilitates improvement of sales, proceeds and market share, resulting from the opening of innovation in the marketplace and into the business (Atuahene-Gima, 2006). In addition, Kohli, Jaworski and Kumar, (2001) noted that the innovation in the market has also been discussed as a vital antecedent of organizational success. The argument leads to market innovation in organizations, that is, to those companies that follow in satisfy needs and the client's preferences are better able to satisfy these needs and thus achieve better results. On the other hand, you can also consider market innovation, as the commercial strategy that prioritizes the interests and needs of customers in compared to other concerns (Narver, 2000).

Marketing innovation in organizations need to be more understood under the perspective of generating superior value for the clients wants and improve the organization's performance. Slater & Narver, (2004) noted that marketing innovation is a corporate culture and differentiation plan that privileges the delivery of superior performance. Organizations that use marketing innovation to function successfully ensures that information is developed in the intelligence invention phase are shared with other functional units of the trade.

Superior performance can only be attained by constantly responding to changing clients' needs. Therefore, once the marketing specialists have gathered the market intelligence and developed it by sharing it with the appropriate interconnection groups, they should develop appropriate action strategies (Kara, 2005).

Day (2004) argues that a marketing innovation generate the need to collect market information and coordinate actions in a functional way to obtain a competitive advantage. Narver and Slater (1990) point out that the scale at which a company implements its market-based innovation plan be contingent on the anticipated level of association and response to client's needs and competitive action.

## **2.5 Summary on the Literature Review**

This section highlights the literature supporting the study on influence of market innovations on the firm's performance. The hypothetical underpinnings of this examination depended on the asset based view and the dissemination of advancement hypothesis separately. Specifically, it is imperative for a firm to perceive its inner assets as a wellspring of upper hand and the should be inventive in its items and procedures is a predominant issue. This segment likewise examined the four factors of showcasing advancement to be specific; coordinated effort, ideation, execution and esteem creation. The part of showcasing advancement on the company's execution was talked about and plainly turned out that advertising development encourages the change of offers, benefits and piece of the overall industry, got from the presentation of advancement in the market and into the association.

From the resource based view theory, it is evident that the competitiveness of an SME is dependent upon how it utilizes its internal resources in comparison with other competing firms in the sector. However, it was also noted that not all the resources that a firm has will be a wellspring of upper hand, rather it ought to be uncommon, imitable and dynamic in nature with the goal that it can adjust to the regularly changing business condition. This position is supplemented by the diffusion of innovation theory which stresses that a firm should embrace new technologies in its operations to capture the opportunities that come about from the operations.

One of firms' internal resources that can affect its performance is its marketing innovation capabilities. This is because marketing Innovation is necessary in organizations because it

contains the abilities and knowledge needed to effectively attract, dominate and improve the existing skills and create new products. One of the marketing strategies identified in the study that impacts on the firm performance is the value creation capacity of an SME which entails the combination and exchange of resources from known applications and deploying them in new contexts.

Porter (2006) contends that value creation in firms create/concoct better approaches for doing things utilizing new techniques, new advancements, or potentially new types of crude materials. From the organization's perspective, the ability to analyze a business environmental condition, innovate appropriate products and services that meets the customer demand is one of the key esteem creation forms embraced by the SMEs. Along these lines, the significance of the company's inside assets that incorporates procedures and capacity to adjust them suitably turned out as the defining moment of a company's execution.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology used to conduct the survey, which was found in the selection of the research project, the target population, the sampling method used, the data collection tool and how the data was analyzed, interpreted and presented.

#### **3.2 Research Design**

A research project indicates the methodology chosen by the study to achieve the established objectives and is considered a hard copy for the collection and analysis of the necessary information (Charmaz 2003). The study adopted a cross-sectional descriptive research project. A survey was considered appropriate, since the researcher allowed to gather information on behaviors, opinions, beliefs and attitudes. In addition, this research project allowed the researcher to draw conclusions about the study variables without the informant being manipulated and, therefore, to allow complete control of the measurements.

#### **3.3 Population of the study**

A population is a characterized gathering of individuals, administrations, components, occasions, gatherings of things or families overviewed. This definition guaranteed that the number of inhabitants in intrigue is homogeneous. The study population includes steatite SMEs registered in the Kisii count. According to the number of licenses, there are 46 registered SMEs dealing with soapstone products. This has formatted the study population through the census.

#### **3.4 Data Collection**

The investigation gathered essential information using a semi-organized survey. The poll comprised of open and shut inquiries. The open-finished inquiries enabled the respondents to answer the inquiries in the coveted way, while the shut inquiries helped the respondents to react rapidly to a series of questions. Walliman (2011) points out that the use of the questionnaire guarantees respect for confidentiality, saves time and is very easy to administer.

The questionnaire was administered through the “drop and pick” later technique and focus on the senior administrators or accomplices in the soapstone SMEs. The overview poll

comprised of three sections. The initial segment recorded the respondents' statistic subtle elements.

The second part recorded respondents' multi-thing states of mind of the showcasing advancements and versatile capacities utilizing the five-point Likert scale from 1 being Strongly Disagree to 5 being Strongly Agree. Whenever required, the poll things were interpreted in Kiswahili keeping in mind the end goal to accomplish better precision in information gathering. The third part of the questionnaire with sought to establish the organization performance of the SMEs and how it is affected by the marketing innovations.

### 3.5 Data Analysis

The information gathered were broke down utilizing graphic insights. Once the information was gathered, the surveys were altered as far as precision, consistency and honesty. The appropriate responses were coded in numerical frame to encourage the factual examination. The information were dissected utilizing the sociology measurable bundle in view of surveys. Specifically, the normal scores, standard deviations, rates and recurrence circulation were utilized to condense the reactions and demonstrate the degree of the similitudes and contrasts. So as to build up the connection between advertising advancement and the versatility of soapstone SMEs and their execution, relapse examination was utilized.

The model took the following form:  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Whereby the variables was as follows

Y = Performance of the SME as measured by the balance scorecard measures

$\beta_1, \beta_2, \beta_3,$  and  $\beta_4$  represent the coefficients of marketing innovation variables

X1 = Collaboration

X2 = Ideation

X3 = implementation

X4 = Value creation

$\alpha$  = Constant term

$\varepsilon$  = Error term



## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSIONS

#### 4.1 Introduction

The research objective was to establish the influence of marketing innovations on the performance of soapstone small and medium enterprises in Kisii County. This chapter presents the analysis, findings and the discussion with regard to the objectives.

#### 4.2 Population Size

A total of 46 questionnaires were issued out. Of the 46 polls conveyed, 35 were returned. The restored surveys' spoken to a general reaction rate of 76.1% and this reaction rate was esteemed to be satisfactory in the acknowledgment of the examination destinations.

The researcher first sought to determine the organization's demographic and respondent's demographic information.

#### 4.3 Organizational Demographic Characteristics

The organizations general data was considered in the study were the age of the firm, number of employees, and the number of employees. The results are presented in Table 4.1 and 4.2 respectively.

**Table 4.1 : Age of the Firm**

<b>Duration of Firm Operation</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Under 5 years	4	11.4	11.4
6-10 years	7	20.0	31.4
11-15 years	3	8.6	40.0
Over 15 years	21	60.0	100.0
Total	35	100.0	

*Source: Research Data (2017)*

**Table 4.2: Number of Employees**

<b>Number of Employees</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Less than 5	7	20.0	20.0
6-10 Staff	11	31.4	51.4
11-15 Staff	3	8.6	60.0
over 15 Staff	14	40.0	100.0
Total	35	100.0	

*Source: Research Data (2017)*

The results indicate that with regard to the age of the small and medium enterprises that deal with soapstone trade, 60.0% of the firms were found to have operated for over 15 years, while 20.0% indicated that they had operated for between 6-10 years and 11.4% of the respondents said they had operated for less than 5 years. Hence, it can be concluded that indeed majority (70%) of the SMEs had operated for over ten years and are presumed to have gained significant experience in the trade, including their marketing strategies.

The results on the number of employees from respondent's show that 40% of the SMEs have over 15 employees, 31.4% of the SMEs have between 6-10 employees and 20 % of the SMEs have less than 5 employees. The results indicate that the sampled SMEs are evenly distributed in terms of their operational sizes and be in a position to understand their marketing operations and how it affects their performance.

#### **4.4 Employer's Experience**

The researcher also sought information about the respondents experience in the soapstone business based on the Age of the respondent, length of continuous service and their educational levels. The results to this question are presented in Table 4.3, 4.4 and 4.5 below.

**Table 4. 3: Age of the Respondents**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Under 30 years	1	2.9	2.9
31-40 years	13	37.1	40.0
41-50 years	12	34.3	74.3
Over 50 years	9	25.7	100.0
<b>Total</b>	<b>35</b>	<b>100.0</b>	

*Source: Research Data (2017)*

**Table 4.4: Length of Continuous Service**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Under 5 years	7	20.0	20.0
11-15 years	2	5.7	25.7
Over 15 years	26	74.3	100.0
<b>Total</b>	<b>35</b>	<b>100.0</b>	

*Source: Research Data (2017)*

**Table 4.5: Level of Education**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Post graduate	3	8.6	8.6
University	19	54.3	62.9
Tertiary college	13	37.1	100.0
<b>Total</b>	<b>35</b>	<b>100.0</b>	

*Source: Research Data (2017)*

The results in Table 4.3 indicate that majority (37.1%) of the respondents were aged between 31-40 years and 34.3% of the respondents aged between 41 – 50 years. Cumulatively, over 70% of the respondents were aged between 30-50 years. The respondents that are aged above 50 years constituted to 25.7 % while 2.9% of the respondents were aged less than 30 years.

In regard to the work experience of the respondents in the industry, the findings in Table 4.2 indicated that majority (74.3%) of the respondents had worked in the SMEs dealing with Soapstone for over 15 years and 20% had been in the SMEs organizations for less than 5 years. The respondents further indicated that 5.7% of them had worked in the SMEs for a period between 11-15 years.

Consequently, the results show that over 75% of the respondents had worked with SMEs for over 10 years and above and this group of respondents is assumed to have necessary institutional memory to provide answers to the research questions. The educational qualifications of the respondents show that over 60% of the respondents had university education while 37% of them had tertiary education. It is therefore presumed that they were knowledgeable to understand and answer the questions in the questionnaires appropriately.

#### **4.5 Marketing Innovation**

This section looked at the influence of various marketing innovation principles and how they affected the performance of the soapstone SMEs in Kisii County. The range was "totally in disagreement (1) to" totally agree (5). Differ scores were taken to speak to a variable with a normal score from 0 to 2.5 on the constant Likert scale ( $0 \leq S.D < 2.4$ ). "Impartial" scores were taken to speak to a variable with a normal score of 2.5 to 3.4 on the persistent Likert scale: ( $2.5 \leq ME < 3.4$ ) and the score both in assention and aggregate understanding they were taken to speak to a variable with a normal score in the vicinity of 3.5 and 5.0 on a constant Likert scale; ( $3.5 \leq S.A. < 5.0$ ). A standard deviation of  $> 1.0$  suggests a noteworthy distinction in the effect of the variable between respondents.

##### **4.5.1 Marketing Collaboration**

The first element of marketing innovation studied was the need for various players in the same sector or line of business to collaborate/ cooperate. The researcher sought to find the extent to which the soapstone traders had collaborated / cooperated and the results are presented in Table 4.6.

**Table 4.6: Marketing collaboration**

Statement	Mean	Std. Deviation
The Firms have established collaboration/cooperation with buyers and dealers of soapstone products	4.743	.611
There exist collaboration / cooperation among different firms in the sub sector	4.629	.547
The collaboration/cooperation enable firms to market their products jointly, gain favorable terms and reduce operational costs	4.514	.887
The firms learning capability has advanced through the collaboration/cooperation process	4.457	.817
Collaboration/cooperation among firms results in creation of capital that facilitates increased social capital for marketing activities/promotion	4.200	.868
The firms marketing collaboration/cooperation involve exchange of technology and marketing research findings	3.686	.900
The collaboration/cooperation between the firms takes the form of mutual market research	3.543	1.067
<b>Overall Mean</b>	<b>4.253</b>	<b>0.814</b>

*Source: Research Data (2017)*

The results in Table 4.6 indicates that the establishment of collaboration/cooperation with buyers and dealers among the Soapstone traders was the most popular marketing innovation strategy (M=4.743, SD=0.611) followed by the establishment of collaboration / cooperation among different firms in the sub sector (M=4.629, SD=0.547).

The respondents strongly agreed that the Soapstone traders also had to a large extent established that the collaboration/cooperation enable firms to market their products jointly, gain favorable terms and reduce operational costs (M=4.514, SD=0.887). The findings also show that the standard deviations of the response are lower than 1.0 and this shows that there was high agreement among the respondents with regard to both vertical and horizontal collaboration / cooperation.

The results in Table 4.6 also indicate that the soapstone SMEs did not agree that collaboration/cooperation between the firms had taken the form of mutual market research among the firms (M=3.543, SD=1.067). Some opted to do individual research as opposed to collaborating with others in the industry based on resource endowments and knowhow.

Similarly to a smaller extent, the results shows that the firms marketing collaboration/cooperation involve exchange of technology and marketing research findings (M=3.686). The overall mean (M=4.254) indicates that to a large extent, the firms employ marketing collaboration as a marketing innovation strategy among the soapstone SMEs.

#### 4.5.2 Ideation of Marketing Innovation

Creation is the process of production, increase and communication of innovative ideas, in which an impression is unstated as a fundamental component of supposed that can be visual and real. In this sense, the level of agreement was sought on the ideation process and the results of their responses are presented in Table 4.7.

**Table 4.7: Ideation of Marketing Innovation**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
The firm also specializes in a narrow product segment giving room for new products most of the time.	4.343	.725
The firm can produce at least two new products in two years	4.229	1.140
The firm adopts current technology and regulations to increase productivity	4.000	1.029
The firm has the capacity to develop, evaluate and execute a marketing strategies	3.686	.796
The Soapstone SMEs/Firms communicate innovative ideas with an aim of increasing their operational capacity	3.429	1.243
<b>Overall Mean</b>	<b>3.937</b>	<b>0.987</b>

*Source: Research Data (2017)*

The results in Table 4.7 indicate that the soapstone SMEs in their ideation process agreed to have specialized in the development of a narrow product segment that will give room for new products most of the time (M=4.343, SD=0.725).

The small standard deviation of less than 1.0 indicates that there was a high level of concurrence among the respondents and the firm can produce at least two new products in two years (M=4.229). The adoption of current technology and regulations to increase productivity was to a large extent agreed among the respondents (M=4.000). To a moderate extent, the results show that the SMEs communicate innovative ideas with an aim of increasing their operational capacity (M=3.429, SD=1.243) and that firms have the capacity to develop, evaluate and execute a marketing strategies (M=3.6857). Most of the SMEs asserted that they would rather utilize new designs make money with it first before sharing with others and this explains why the standard deviation is more than 1.

#### 4.5.3 Marketing Innovation Implementation

The implementation of marketing innovation implies the new marketing method that involves substantial variations in the plan or packing of the produce, in the insertion of products, in the promotion of products or in the determination of the price.

**Table 4.8: Marketing Innovation Implementation**

Statement	Mean	Std. Deviation
There is continuous training of staff on new market demands	4.029	.954
The firm accesses and adapts user-friendly technology	3.743	.980
The SME/Firm dedicates adequate financial resources to the implementation of the firms marketing strategies	3.543	1.146
The firms have established appropriate learning and knowledge management practices / innovation	3.429	1.119
The firms' encourages sharing of information on the innovation implementation process	2.714	1.045
<b>Overall Mean</b>	<b>3.492</b>	<b>1.049</b>

*Source: Research Data (2017)*

The implementation of marketing innovation by the SMEs show that the respondents agreed to have implemented continuous training of staff on new market demands (M=4.029, SD=0.954) and also that the firm accesses and adapts user-friendly technology (M=3.743, SD=0.980) to a large extent. In addition, soapstone SMEs dedicates adequate financial resources to the implementation of the firms marketing strategies (M=3.543) and the firms have established appropriate learning and knowledge management practices.

To a small extent the respondents noted that the SMEs encourages sharing of information on the innovation implementation process among themselves (M=2.714). Therefore, marketing innovation implementation will succeed if there is continuous training of staff as well as adoption of technology.

#### 4.5.4 Value Creation

The creation of value as an element of marketing innovation implies the realization of actions that improves the value of products, services. Many traders now focus on generating value both in the context of creating better value for customers who buy their products and services, and for commercial shareholders who want to see their share appreciate in value. The results with regard with value creation among the SMEs are presented in Table 4.9.

**Table 4 9: Value Creation**

Statement	Mean	Std. Deviation
The SME endeavors to create new products and services with an objective to reducing cost and increase market share	4.343	.684
The SME continuously adopts new technologies to improve existing products	4.257	.819
The firm's management endeavors to improve existing products	4.200	.933
There is new administration hones identified with the items or administrations	4.057	1.119
<b>Overall Mean</b>	<b>4.214</b>	<b>.888</b>

*Source: Research Data (2017)*

The results on the value creation principle of marketing innovation as presented in Table 4.9 shows that the SME endeavors to create new products and services with an objective to reducing cost and increase market share (M=4.343, SD=0.684) and also that SME continuously adopts new technologies to improve existing products (M=4.257, SD=0.819).

The low standard deviation that is less 1.0 shows that there was unanimity among the respondents with regard to the extent of value creation among the SME firms. Generally, the respondents agreed that the firm's management endeavors to improve existing products and new administration hones identified with the items or administrations.



#### 4.6 Organization performance

This section sought to establish how the marketing performance of the SMEs that deal with soapstone products trade in Kisii County had been affected by the adoption of the various marketing innovations principles discussed in section 4.3. The respondents were asked to indicate the percentage change in marketing innovation parameters with a range of 0%-10% (1) to 'over 41% (5) being used. The result is presented in Table 4.10.

**Table 4.10: Organizational Performance**

Measure	Mean	Std. Deviation
The product was perceived by customers as more reliable than competitors 'products	3.914	1.067
Increased market share	3.343	1.514
Increased revenue	3.000	1.188
Lower fixed capital	2.943	1.136
Reduced risk	2.886	1.207
Lower costs	2.771	1.140
Accelerated cash flows	2.743	1.221
Reduced revenue volatility	2.686	1.157
<b>Overall Mean</b>	<b>3.036</b>	<b>1.07</b>

*Source: Research Data (2017)*

From the findings, the respondents agreed to a large extent that the adoption of marketing innovation had led to an increase in the development of products that are perceived by customers as more reliable than competitors' products (M=3.914) and also led to an increase in their market share of soapstone products (M=3.343) to a moderate extent, it can be deduced that increased revenue and lower fixed capital had resulted from the adoption of marketing innovation by the SMEs. However, to a low extent, marketing innovation had led to reduced revenue volatility (M=2.686) and accelerated cash flows (M=2.743). However, the responses varied among the respondents because of the high standard deviation registered from the findings.

#### 4.7 Regression Equation

To establish effective relationship between marketing innovation and the performance of SMEs, the researcher opt to adopt the regression equation. To determine the same, the relationship between the overall mean of each of the marketing innovation practices on collaboration, ideation, implementation and value creation under section 4.3 was regressed with the resultant mean from the marketing innovation in section 4.4.

From their overall means of each factor when utilizing various relapse investigation, there is a plausibility of endogeneity happening whereby when certain factors are discarded, and to counter this, the researcher used the most important variables that constitute marketing innovation. The result is presented in Table 4.11.

**Table 4.11: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.473	.542		2.716	.011
1 X1	.247	.071	.369	3.478	.002
X2	.040	.093	.047	.430	.670
X3	.294	.132	.301	2.232	.033
X4	.638	.104	.825	6.113	.000

a. Dependent Variable: organization performance

b. Independent Variable: X<sub>1</sub> = marketing collaboration ; X<sub>2</sub> = Ideation of Marketing Innovation; X<sub>3</sub> = Marketing Implementation; X<sub>4</sub> = Value Creation

The resultant regression is as follows:

$$Y = 1.473 + 0.247 X_1 + 0.040 X_2 + 0.294 X_3 + 0.638 X_4$$

The coefficient of the independent variables (X<sub>1</sub>, X<sub>3</sub> & X<sub>4</sub>) is significant at 5% significance level except the coefficient of X<sub>2</sub> because the significance value is less than 0.05.

The coefficient of independent variables is positive and this implies that the adoption of marketing innovations by soapstone SMEs has positively influenced the performance of

SMEs. A regression coefficient of 0.247 implies that an increase in unity in the level of marketing collaboration between SMEs leads to an increase of 24.7% in the performance of the organization. On the other hand, a unit increases in the ideation of marketing innovation will result in 4% increase in the level of organizations performance while marketing implementation will lead to an increase of 29.4%. This means that organizational performance of the SMEs is affected by the success of implementing the marketing innovation initiatives.

The researcher also sought to determine the combined effect of marketing innovation on the performance of the SMEs. The results are presented in Table 4.12.

**Table 4.12: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.825 <sup>a</sup>	.681	.638	.47876
a. Predictors: (Constant), collaboration, ideation, implementation, value creation				

The adjusted  $R^2$ , additionally called the coefficient of various judgments, is the percent of the fluctuation in the ward clarified remarkably or mutually by the autonomous factors. The model had a normal balanced coefficient of assurance ( $R^2$ ) of 0.681 and which infer that 68.1% of the SMEs authoritative execution is clarified by the achievement of its marketing innovation while other factors not considered in the model explain the balance of 31.9%. This implies that the soapstone firms should explore the other factors that affect their organizational performance though it is evident that a large percentage is determined by success of the SMEs marketing innovation initiatives.

Analysis of variance (ANOVA) on Table 4.10 shows that the combined effect of the SMEs marketing innovation was statistically significant in explaining changes in the level of organizational performance among the soapstone traders in Kisii County. This is exhibited by a p estimation of 0.000 which is not as much as the acknowledgment basic estimation of 0.05. The outcomes demonstrated that the general model was noteworthy, that is, the autonomous factors were great joint illustrative factors/determinants for authoritative execution in the soapstone SMEs ( $F=15.996$ ,  $P$  value =0.000).

**Table 4.13: Analysis of Variance**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	14.666	4	3.667	15.996	.000 <sup>b</sup>
Residual	6.876	30	.229		
Total	21.543	34			

a. Dependent Variable: organizational performance

b. Predictors: (Constant), collaboration, ideation, implementation, value creation

#### **4.5 Discussion of the Findings**

The study sought to investigate the influence of marketing innovations on the performance of soapstone SME traders in Kisii County. The predictor variables used included the market collaboration, ideation of the marketing innovation, implementation of marketing innovation and value creation respectively. This section discusses the main influence of marketing innovations on performance of soapstone small and medium enterprise.

Marketing collaboration was identified as the first element of marketing innovation and this is concerned with SMEs working together toward a common goal. Collaboration aims at building teamwork by establishing a consensus, increasing levels of involvement, pulling teams together and coaching more junior or upcoming SMEs in the industry. Through the development of teamwork, collaboration is able to result in more innovative marketing processes.

The findings with regard to collaboration are that the respondents concurred to a large extent that the soapstone SMEs had established collaboration/cooperation with buyers and dealers of soapstone products which enabled the firms to market their products jointly and in the process gained favorable terms and reduced operational costs. In addition, the collaboration among the firms had led to the creation of social capital in regard to marketing activities/promotions.

The findings support the position held by Cohen and Levinthal (2010) who found out that organization with strong collaborative relationships is bound to thrive in a competitive environment because of the importance of social capital that is impeded in the group and this leads to varied expertise to be realised in within the group. Most of the organizations have tangible goals for collaboration which include supporting enterprise creation and bringing

development to business. Marketing collaboration was also found to be a significant variable to the firm's performance in the regression model.

The second marketing variable studied is the ideation practice which is concerned with the process of producing, increasing, and communicating innovative ideas. The research findings indicate that the soapstone SMEs in their ideation process specializes in the development of a narrow product segment that will give room for new products most of the time and that the soapstone SMEs had adopted modern technology during raw material extraction and regulations to increase productivity.

The findings also showed that many SMEs had formed different social media platforms where new ideas are shared among the members because in line with the suggestion by Coyne (2007), ideation requires both divergent and convergent thinking which can be realized if an integrative platform is formed. The establishment of appropriate marketing ideation and collaboration framework is not enough without a proper implementation process. The implementation phase among the soapstone SMEs took the form of continuous training of staff on new market demands and also that the firms accessed and adapted user-friendly technology. In addition, some of the soapstone SMEs dedicated adequate financial resources to the implementation of the firms marketing strategies through the establishment of an appropriate learning and knowledge management practices.

These results are in line with that of Edmondson (2001), according to which the availability of financial resources of an organization is an important predictor of the overall quality of its policies and implementation practices and, therefore, indirectly, a predictor of the effectiveness of the organization's implementation.

In addition, the orientation to learning is important during the implementation of innovation because a strong orientation towards learning allows members to overcome this obstacle, experiment, adapt and persevere in the use of innovation.

The creation of value is the result of actions that involve the new combination and the exchange of resources, resources deviate from known applications and are distributed in new contexts. In this regard, the results from the study show that the soapstone SMEs endeavor to

create new products and services with an objective to reducing cost and increase market share and also that SME continuously adopts new technologies to improve existing products.

As Porter (2006) argues, the making of significant worth infers the selection of better approaches for doing things utilizing new advancements and/or new types of crude materials. This is the purposeful push to build up another thought that includes noteworthy market, specialized and authoritative ambiguities; with respect to a guarantee to aggregate duty over a drawn out stretch of time; and it requires a bigger number of assets than those right now held by the gatherings included (Garud, & Venkataraman, 2009).

The performance of the Soapstone SMEs was found to be positively affected by the marketing innovations initiatives instituted by the firms. The most prominent performance measures affected include an increase in the development of products that are perceived by customers as more reliable than competitors' products which led to an increase in their market share of soapstone products.

According to Peeters and van Potterslberghe de la Potterie (2005), marketing innovation contains the skills and knowledge necessary to attract, master and effectively improve existing skills and create new products, backed by results. The results of the marketing innovation capture the level of success of the innovation in the market and the impact of the results of the project. In general, the four marketing innovation variables significantly influence the performance of soapstone SMEs in Kisii County.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

The chapter covers summary of the findings, conclusions, limitations of the study, recommendations and suggestions for further research.

#### 5.2 Summary of Findings

Marketing innovation is an important strategic position that a firm takes because of its perceived significant effect on the performance and competitiveness of a firm. Firms, whether small or big, will pursue specific market opportunities to achieve superior performance because it is through the establishment of appropriate marketing innovation strategies that a firm will be able to develop products that will be successful in the market. Towards this end, the researcher sought to establish how market innovation influences the performance of soapstone SMEs in Kisii County.

This study showed that majority of the respondents had attained university education and therefore presumed to have necessary understanding on the research questions. In addition, most of the respondents had worked in these SMEs / organizations for more than 10 years meaning that they have a firsthand experience on the operations of the SMEs. The majority of the soapstone SMEs had operated for more than 15 years implying that they have learned the operations of the business line and coupled with the position that most of the SMEs have over 15 members of staff that had attained educational qualification at university level and above, therefore have knowledge on the influence of market innovations on performance of their firms.

The four variables of marketing innovations studied and investigated were namely; collaboration, ideation, implementation and value creation. The study showed that market collaboration enables the soapstone small medium enterprises to improve their cooperation with buyers and dealers of their products. It was found that the market collaboration had enabled firms to market their products jointly, gain favorable terms and reduce operational costs.

The research findings also show that the ideation of market innovation contribute to more specialization in a narrow product segment giving room for new products and firm adopts current technology and regulations to increase productivity.

In addition, the study also found that marketing innovation implementation leads to continuous training of staff on new market demands and the firm accesses and adapts user-friendly technology. In regard to the value creation practice, the findings were that value creation endeavours to create new products and services with an objective to reducing cost and increase market share. It also contributes to the adoption of new technologies to improve existing products. The study established that the performance of soapstone small medium enterprises had resulted to the product perceived by customers as more reliable than those of competitors, increased market share, increased revenue, lower fixed capital and reduced risk.

The researcher proposes that the soapstone SMEs in Kisii County up scales and sustains the application of marketing innovation principles in their activities if they need to remain competitive in the global arena and also forge alliances with agencies with requisite skills capable of supporting them on capacity building, protection of patents and intellectual property, marketing, gathering information on market trends and policy formulation. The County Government of Kisii is urged to recognize this invaluable resource in Tabaka, invest and develop infrastructure in this sector owing to the potential it portends with respect to employment creation to the local population as well as revenue generation to the County itself.

### **5.3 Conclusion**

The most powerful tactic for small medium enterprise's growth in the current market conditions is through adoption of market innovation principles to help improve their performance. From the findings, it was established that marketing collaboration enabled cooperation between the buyers and dealers of their products and enabled firms to market their products jointly, gain favorable terms and reduce operational costs. Therefore, it can be concluded that marketing collaboration enables firms to market their products.

Based on the results of the data analysis and the results of the investigation, it can be concluded that ideation of market innovation contribute to the development of new products, adoption of new and appropriate technology including related regulations to increase productivity. In addition, the marketing innovation implementation in soapstone firms resulted to continuous training of staff on new market demands and adoption of technology.



#### **5.4 Limitations of the Study**

The researcher used key informants of soapstone in Kisii County, which limited the generalization of results to other companies and other national contexts. The selection of the sample also limited the generalization of the results to the general population. This is the only area that can be applied to other industries and national contexts.

The methodology required the use of qualitative and quantitative methods of information collection but the analyses were more of qualitative due to the lack of finances and time, to effectively measure the influence of technology acquisition strategies over a period of one year or more that is needed to monitor the activities of the acquired technologies thus the different methods should be given equal considerations.

#### **5.5 Recommendations for Policy and Practice**

In line with the findings of the study, the researcher established that the soapstone small medium enterprises have to adopt the marketing innovations in order to improve their execution. It is consequently suggested that the investigation includes more prominent exhaustiveness of the influence of marketing innovations. The study recommends that the Kisii County Government needs to develop a policy on SME development and invest in infrastructure for this sector given the potential it holds in job creation and wealth generation for locals. A cluster concept of supporting firms in one subsector with similar activities such as those in India and the One Village One Product propagated by the Japanese can be coopted in this sector by the County Government.

The investment can take the form of constructing proper working sites for the carvers; establish a center with modern equipment and machinery similar to the ones at Kariobangi light industries where artisans can use the facility at a small fee to make better designs and act as a training venue for upcoming firms. Additionally, the County of Kisii needs to set aside seed capital for the sector to support enterprises that market their products both regionally and other overseas markets.

The level of the marketing innovations in firms needs to be increased especially to undertake extensive market research focusing on policies and regulations that can support the sector to thrive including the Cluster and one village one products concepts that have worked in India and Japan respectively in order to ensure continuous improvement of performance.

The researcher proposes that study tours to India to be organized with support of County Government of Kisii with the aim of not only exposing these enterprises to new technologies that can be adopted but also on new designs.

### **5.6 Suggestion for Further Research**

The study was undertaken on the influence of marketing innovations on the performance of soapstone small and medium enterprises in Kisii County. It is recommended that future research studies can examine why some of the soapstone firms are opting to diversify into other sectors such as the hardware business yet this sector commands such high demand in the international market. A similar study could be done on other uses other than decorative or ornamental values of the Soapstone including other stones such as granite which is gaining currency owing to a variety of uses. The study also recommends that a further study should be carried out to establish there is decline in popularity of this sector among the youth who are opting to do motor cycle Boda Boda Business.

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## APPENDIX I: QUESTIONNAIRE

Please answer ALL QUESTIONS as honestly as possible.

### PART A: Demographic Information

1) Name of the Soapstone Firm, (Optional) .....

2) For how long has the firm operated?

a) Under 5 years ( )      b) 6 – 10years ( )

c) 11 – 15 years ( )      d) Over 15 years ( )

3) How many employees does the firm have?

a) Less than 5 ( )      b) 6 – 10 staff ( )

c) 11 – 15 staff ( )      d) Over 15 staff ( )

4) What is your age bracket?

a) Under 30 years ( )      b) 31 – 40 years ( )

c) 41 – 50 years ( )      d) Over 50 years ( )

5) For how long have you been in the Soapstone business?

a) Under 5 years ( )      b) 6 – 10years ( )

c) 11 – 15 years ( )      d) Over 15 years ( )

6) What is your highest level of education qualification?

a) Post graduate level ( )      b) University ( )

c) Tertiary College ( )      d) Secondary ( )

**PART B: Marketing Innovation**

**Please circle one choice for each of the following statements**

(1= strongly disagree, 2=disagree, 3= nor disagree nor agree, 4=agree, 5=strongly agree)

**Table A I**

**Factor 1: Marketing Collaboration**

The Firms have established collaboration/cooperation with buyers and dealers of soapstone products	5	4	3	2	1
There exist collaboration / cooperation among different firms in the sub sector	5	4	3	2	1
The collaboration/cooperation enable firms to market their products jointly, gain favorable terms and reduce operational costs	5	4	3	2	1
Collaboration/cooperation among firms results in creation of capital that facilitates increased social capital for marketing activities/promotion	5	4	3	2	1
The firms learning capability has advanced through the collaboration/cooperation process	5	4	3	2	1
The collaboration/cooperation between the firms takes the form of mutual market research	5	4	3	2	1
The firms marketing collaboration/cooperation involve exchange of technology and marketing research findings	5	4	3	2	1

What other marketing collaboration practice do you undertake in your firm?

.....

.....



**Table A II**

**Factor 2: Ideation of Marketing Innovation**

The Soapstone SMEs/Firms communicate innovative ideas with an aim of increasing their operational capacity	5	4	3	2	1
The firm has the capacity to develop, evaluate and execute a marketing strategies	5	4	3	2	1
The firm adopts current technology and regulations to increase productivity	5	4	3	2	1
The firm also specializes in a narrow product segment giving room for new products most of the time.	5	4	3	2	1
The firm can produce at least two new products in two years	5	4	3	2	1

What other marketing ideation practice do you undertake in your firm

.....

.....

**Table A III**

**Factor 3: Marketing Innovation Implementation**

There is continuous training of staff on new market demands	5	4	3	2	1
The firm accesses and adapts user-friendly technology	5	4	3	2	1
The firms' encourages sharing of information on the innovation implementation process	5	4	3	2	1
The SME/Firm dedicates adequate financial resources to the implementation of the firms marketing strategies	5	4	3	2	1
The firms have established appropriate learning and knowledge management practices / innovation	5	4	3	2	1

What other marketing implementation practice do you undertake in your firm

.....

.....

**Table A IV**

**Factor 4: Value Creation**

The firm’s management endeavors to improve existing products	5	4	3	2	1
The SME endeavors to create new products and services with an objective to reducing cost and increase market share	5	4	3	2	1
The SME continuously adopts new technologies to improve existing products	5	4	3	2	1
There is new management practices related to the products or services	5	4	3	2	1

**SECTION C: Organizational Performance**

5. Indicate in terms of average percentage the extent to which the following performance measures have changed in your SME as a result of marketing innovation? Where, 1 = (0% – 10%); 2 = (11% – 20%); 3 = (21% – 30%); 4 = (31% - 40%); 5 = (Over 41%)

<b>Organizational Performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Increased revenue					
Accelerated cash flows					
Reduced revenue volatility					
Lower costs					
Reduced risk					
Lower fixed capital					
Increased market share					
The product was perceived by customers as more reliable than competitors ‘products					

**THANK YOU FOR YOUR TIME**