

**STRATEGIC INNOVATIONS ON OPERATIONAL PERFORMANCE
OF ABSA BANK KENYA PLC**

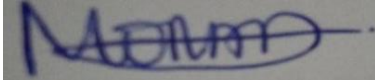
RIDIMIDA MORAA OMWERI

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND
MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI**

DECEMBER 2021

DECLARATION

This research project is my original work and has not been submitted for the award of a degree in any other university.


Sign: 

Date :02/12/2021

RIDIMIDA MORAA OMWERI

REG NO: D61/34594/2019

This research project has been submitted for examinations with my approval as the supervisor

Sign:  Date: 08/12/2021

SUPERVISOR: PROFESSOR MARTIN OGUTU

Lecturer University of Nairobi

ACKNOWLEDGEMENT

First and foremost, I want to express my gratitude to God for His mercies and grace in my life, which have enabled me to complete this project.

My great gratitude goes to my supervisor Professor Martin Ogutu for his professional guidance, coaching and mentoring during the entire period of preparation of this research project. I also wish to thank my moderator, Professor Aosa for the part he played for making sure I got things right and articulated them in the right manner and all the lecturers of the School of Business in the University of Nairobi for their continued support in all the stages of my academic journey and the guidance in making this study a success.

I wish to record my sincere appreciation to my parents and Siblings for all the moral and financial support that they accorded me and I would like to specifically appreciate my two sisters Mary and Jemimah for all the extra financial and moral support towards this achievement.

I wish to sincerely give my gratitude to my special friend Christopher Okello for being a pillar and a mentor throughout this journey, I will always be grateful for his selfishness support

To my dearest daughter, my sincere and deepest gratitude for your understanding and always praying for me every time I was overwhelmed.

To all my friends, a big thank you for always being there whenever I needed you the most, your encouragement and advice throughout this journey will not go unnoticed.

DEDICATION

I dedicate this work to my dear daughter and my siblings, who have been steadfast and unwavering supporters throughout my studies. To my Mother, who instilled in me the importance of education, hard work, humility, and perseverance. To my father for his sage advice and moral support.

ABSTRACT

In a marketplace where different players are compelled with the market forces to bring their own unique solutions to satisfy the needs of their customers, organizations that is serious about competing in fast-changing markets with fast-changing technology must respond swiftly and develop original, hard-to-copy products in order to thrive in its performance. Strategic innovations are at the heart of any company's success in the current competitive business environment. For the last 105 years of existence Absa bank Kenya has undergone through various stages of evolutions and strategic transformation as a commercial bank in Kenya. The study aimed at establishing how the nature and application of strategic innovations influences operational performance of Absa bank Kenya, as well as establishing numerous elements that influence the development and implementation of strategic innovations in the bank. The study is supported by the knowledge based theory and supported by the resource based and dynamic capability theory. The study adopted a case study research design to facilitate in depth analysis of the case. An interview guide with open ended questions was applied as a research technique. The study used both the Primary and secondary data. The bank's strategic plans and reports provided secondary data, while an interview guide gathered primary data. The study revealed that the bank had a strong ICT core banking system that led to the automation of numerous back office processes enhancing convenience and minimizing errors while serving customers. Data management and capabilities to facilitate sound decision making, C360 analytics platform to intensify financial services, technology upgrades, front-end-state-of-the-art cards payments, front-end teller system, and new look mobile banking were among the identified innovation strategies. The study also established a positive relationship between strategic innovations on performance, it indicated that there was a greater efficiencies and effectiveness brought about by the strategic innovations adopted by the bank on the general performance. To summarize, strategic innovation is critical for businesses because as it improves performances by upgrading products, services, processes, business models, and marketing strategies. Strategic innovations, according to the study, are a necessary condition for any organization's progress and a critical component to all organizations.

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENT.....	iii
DEDICATION.....	iv
ABSTRACT.....	v
ABBREVIATIONS AND ACRONYMS.....	viii
CHAPTER: ONE INTRODUCTION.....	1
1.1 Background of the study	1
1.1.1 Strategic innovation	4
1.1.2 Operational performance.....	6
1.1.3 The Banking Sector of Kenya.....	8
1.1.4 Amalgamated Banks of South Africa(Absa).....	10
1.2 Research problem.....	13
1.3 Research objectives.....	15
1.4 Value of the study	15
CHAPTER TWO: LITERATURE REVIEW.....	17
2.1 Introduction.....	17
2.2 Theoretical Foundation of the Study.....	17
2.2.1 Knowledge-based theory.....	18
2.2.2 Resource-based	19
2.2.3 The dynamic capability theory.....	20
2.3 Strategic Innovation and operational performance	21
2.3.1 Product/service innovation.....	22
2.3.2 Organizational innovation.....	23
2.3.3 Market innovation	23
2.3.4 Process innovation	24
2.4 Empirical studies and research gaps	26
CHAPTER THREE: RESEARCH METHODOLOGY.....	29
3.1 Introduction.....	29

3.2 Research design	29
3.3 Data Collection	30
3.4 Data Analysis	31
CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION.....	32
4.1 Introduction.....	32
4.2.1 Mission and Vision	34
4.2.3 Product Innovation Strategy.....	36
4.2.4 Organizational/Business models innovation strategies	40
4.2.5 Human Resource Innovations	41
4.2.6 Organization Structure and leadership in Supporting Innovations	43
4.3 Factors influencing strategic innovation development and implementation.....	44
4.3.1 Technological changes	44
4.3.2 Customer needs and preferences.....	45
4.3.3 Leadership and management commitment.....	46
4.3.4 Organizational culture.....	47
4.4 Discussion.....	48
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	52
5.1 Introduction.....	52
5.2 Summary	52
5.3 Limitation of Study	55
5.4 Conclusion	56
REFERENCES.....	59
APPENDICES	62
Appendix 1: Interview guide.....	62

ABBREVIATIONS AND ACRONYMS

ABSA	Amalgamated Banks of South Africa
KBA	Kenya Bankers Association
CBC	Central Bank of Kenya
R&D	Research and Development
NPS	National Payment Services
ICL	International Computers Limited
IPSL	Integrated Payment Services Limited
ATMs	Automated Teller Machine
NYSE	New York Stock exchange
BARC	Barclays
CRB	Credit Reference Bureau
IPO	Initial Public Offering
PLC	Public limited company
USP	- Unique Selling Propositions
SCA	-Sustainable Competitive Advantage
JSE	-Johannesburg Stock Exchange

CHAPTER: ONE INTRODUCTION

1.1 Background of the study

To all organizations seeking a dominant position in the business world, Strategic innovations have become critical in the current ambiguous and extremely turbulent business environment characterized by rapid technological changes and increased globalization. According to et al (2010), Marketing innovation is an essential tool for organizations to achieve competitive advantage. The evolving market is highly unpredictable and is rewarding business leadership teams that understand the new market dynamics and are building new and relevant business approaches and models (Means &Faulkner 2021). Strategic innovation entails actualizing and implementing ideas, as well as committing resources to reinventing and rethinking corporate organizational tactics. A company's ability to quickly adapt to its internal and external changes is critical to its success. As a result, comprehending strategic innovation has become a need for achieving long-term firm's objectives. Innovation can either be transformational, incremental or radical depending on the nature and effect of changes. According to Kalay and Garry (2015), innovation is assessed as the most important differentiation strategy to acquire a sustainable competitive advantage in the market to develop a sustainable competitive advantage in any sector, companies need adaptable strategic solutions that can react swiftly to these changes.

The banking institution is revolutionizing the sector with better services. Strategic businesses all over the world must be ready to live and operate in the most uncertain, complicated, and turbulent environment possible, as well as be flexible enough to react to the changing business realities. Owing to the rapid progression of the banking sector, operational performance of commercial banks has become crucial to all stakeholders including bank managers, regulators, stakeholders, policymakers. Berger and Humphrey (2011), states that emphasis on operational efficiency of financial institutions have become extremely important part of financial innovation; thus, organizations yearning to generate value and create a sustainable competitive edge in their trade must therefore embrace strategic innovations.

Strategic innovations have become paramount in enhancing operations performance in the banking industry. According to Aswan (2010), strategic innovations explicit a positive relationship on operational performance of organizations. Nevertheless, lack of clear innovation strategy becomes a foundation of many problems, mostly in well-established organizations. It is, therefore, through good Strategic Management that firms can develop and implement strategic innovations successfully. As a young field, strategic management has seen a massive growth over the past few decades. According to Karanja (2009), innovation strategies creates secure competitive edge and superior value. Numerous organizations have realized that strategic innovations are crucial to the success of any business organization, and they have widely embraced it. According to Chandelier (1962),

firms have recognized that they can no longer sustain a competitive advantage in their trade fields without being strategic. Organizations must continue to pursue innovation to retain competitiveness in the highly competitive market environment.

Amalgamated Bank of South Africa (Absa), Initially Barclays bank limited, is a commercial bank in Kenya and a subsidiary bank of South Africa which is regulated by the Central Bank of Kenya. The bank has been continuously innovating, upgrading and expanding to offer exemplary services to its customers. The bank is future focused driven by progress and desire to thrive in the digital era. Absa bank offers a wide variety of products varying from savings, mortgages and investments credit cards and loans. The bank constitutes one of the largest in Africa with varied and heterogeneous financial services present in twelve countries across the continent.

The Central Bank of Kenya (CBK) regulates and controls all operations of the banking sector in Kenya. CBK is the primary regulator of the banking sector and the monetary authority in Kenya founded in 1966. The sector has ceaselessly continued to intensify its efficient operating models to achieve efficient operations. Market players like Absa Bank are also not left behind of trying to navigate the progressive stiff market competition by means of innovative operations. The bank is embarked on brand development towards more incredible performance.

1.1.1 Strategic innovation

Strategy is choosing between many foreseeable options to have the better choice of winning. While innovation is the mechanism to attain strategic goals. According to Lusweti (2012), Strategy is a plan of action that provides an organization with a course of the purposive action. strategy directs and steers an organization's operations toward achieving its objectives. Innovation, according to Thompson (2007), is the development and execution of new ideas, processes, goods, or services. Strategic innovation enhances the company model's long-term value by using both new business models and technological advancements. A good strategy produces a competitive advantage that sets a company apart from its competitors by providing a long-term advantage that is unusual, difficult to mimic or copy, and valuable (Jin, Hewitt and Thompson 2021). Strategic innovation is defined as the ability to develop and rejuvenate a business notion or idea.

Strategic Innovation, no doubt, changes how production, coordination of activities, and data processing are carried out in the banking sector. Strategic Innovation therefore is an essential for many organizations to make it in the global market and get a competitive edge. (Karabulut, 2015). Innovativeness refers to the willingness to support creativity and experimentations in creating new products It includes a strategic tool that aligns the organization's essential resources and capacities with the available opportunities in the internal and external business environment to promote the long-term success of the

organization. The collaboration between different industries significantly contributes to the sustainability of innovation. Adoption of superior strategies relating to products, services, marketing and processes in many instances leads to excellent organizational performance. According to Nybakk and Jenssen (2012), strategic innovation is critical for sustainable competitive advantage and financial performance.

Strategic innovations, therefore, refer to an organizational process of reinventing and redesigning the company's corporate strategies to drive business growth, generate tremendous value for the company and its customers and eventually create a sustainable competitive advantage. Much Strategic Innovation occurs at the executive level. According to Drucker (1985), innovation is part of strategy implementation, essential for specific strategies. Thus, strategic innovation is more of mapping an organization's mission, vision, and values for defined customer markets. Organizations with proactive strategic innovations tend to have a strong research orientation and become technological market leaders with a broad knowledge that enables them to take high risks, which results in high rewards. According to Kuczarski & Associates (1994), suggested that many successful organizations had signs of management commitment on new product development, as compared to less successful firms

Mauborgne (2005), states that strategic innovation enhances competition irrelevant by creating a vault in the value offered to the clients and firms, thus creating new and

irrefutable market space. Strategic innovations take different forms, including incremental, disruptive, sustaining, radical, product, service, process and technological innovation. According to Palmer and Kaplan (2019), Strategic Innovation is vital in improving a firm's performance. It creates the boundaries to the innovation performance expectations by simplifying and structuring the work to achieve the best results.

Various companies adopt different innovations that suit their companies to achieve their core aims; the fundamental innovativeness tool of growth helps increase the market share, improve the company's competitive edge, and penetrate a new market (Gunday et al., 2011). Due to the influence of the stiff global competition many organizations have started accepting the significance of innovations.

1.1.2 Operational performance

Operational performance implies the level at which all business units work together in an organization to achieve a common business goals. According to Abdolvand, Albadvi, and Ferdowsi (2012), operational performance refers to the organizational accomplishment of specific outputs based on expected outcomes, which includes: quality of service and products, speed of product delivery, flexibility, and dependability. Operations include all processes and activities, from the acquisition of raw materials to the supply and provision of finished goods or services (Heizer and Bender, 2020). It comprises all the activities that create value in goods and services by transforming inputs into output.

Performance measurement involves assessing the organization's traction towards the achievement of specific pre-set goals. Jiang (2002), stipulates that a firm that requires to acquire a sustainable competitive advantage should possess the capabilities to adapt its operations to the market dynamics. Firms seeking dominance in their fields of trade are continuously seeking ways to utilize and adopt innovations that will enhance competitive advantage effectively. Performance measurement, therefore, involves assessing the organization's traction towards the achievement of specific pre-set goals.

To achieve operations excellence, firms must cross-examine all their processes and stages in their value addition streams to ensure efficiency and effectiveness in all their operations. Organizational operations are necessary as they directly inform how efficient an organization is utilizing its essential resources. For service providing firms like money lending organizations, operations excellence includes excelling at all end to end processes, from receiving customer requests to rendering the services. Operational performance allows organizations to measure the performance of their operations in terms of quality, speed, flexibility, dependability and costs. It also points out areas that need improvement in a bid to meet the corporate strategy.

According to Karabulut (2015), Operationalization of Innovation should be geared toward achieving the firm's goals, objectives, mission, and vision. Performance measurement helps the organization to be aware of its progress status for an organization to be aware of its progress status performance measurement and other necessary control tools must be

used to determine the level of achievement.it therefore the organization with essential information that facilitates better decision making in monitoring, controlling, evaluating and improvement. Organizations have been forced to develop strategies that enable them leverage internal competencies and networks to enhance operational performance.

1.1.3 The Banking Sector of Kenya

There are 47 commercial banks, two mortgage financing firms, 130 foreign exchange bureaus, and fifteen microfinance organizations in Kenya's banking sector (CBK, 2012). Banks now offer a more extensive range of products and services than ever before, and they do it in a faster and more efficient manner than ever before. The Banking sector is regulated and controlled by the corporation act, the Kenyan Banking Act and the Kenyan Central Bank Acknowledgement. The CBK is responsible for formulating monetary policies, promoting financial stability, clearing and settlement system; developing and implementing foreign exchange policies; holding and managing foreign exchange reserves; issuing currency; the banker and adviser of the Government stimulate the proper functioning of the financial system. The sector plays a critical and significant economic role in the development and operations of a payments system in the country. According to Claessens and Laeven (2005), a strong banking sector ensures efficient funds management, sound financial investments and strong financial and economic system.

As of the end of 2019, the banking system's total assets stood at about KES 4.8 trillion, out of which loans and advances amounted to about KES 2.7 trillion. The assets of the banking system continue to grow, increasing by 9.2%. In 2019, total loans and advances accounted for 55% of the industry's total assets, while holdings of government securities and placements in other banks accounted for 35%, respectively. The growth is driven mainly by increased credit to the private sector, substantial government expenditure both on recurrent and infrastructure, the capital sufficiency with adequate buffers. The economy was registering decent real output growth in 2020, except in 2020 when the Covid-19 shock triggered fragility.

In the late 1960s, leading banks started investing in computerizing their operations. In June 1968, National and Grind bank installed a 16K 1901 ICL mainframe computer to serve as the central depository for information from all the bank's branches countrywide. Barclays Bank of Kenya was the first bank in Kenya to have its operations entirely computerized. A new system of banking came in Kenya in 2004, when a bank called Co-op Bank launched a mobile app. The service allowed customers to check their account balances, request statements, and track the status of checks. It did not facilitate the actual transfer of money. The advent of the mobile money transfer system by Safaricom in 2007 has made that possible.

In June 2016, the Kenyan Banking Association (KBA) launched PesaLink, an interbank remittance platform through Integrated Payment Services Limited (IPSL), a wholly owned financial technology company. The Central Bank of Kenya's National Payment System (NPS) has enabled the country's digital payment solution platform to harness the potential of digital payment solutions. The banking sector is becoming highly competitive due to new technologies, and most banks exert considerable efforts to improve their performance and stay competitive.

1.1.4 Amalgamated Banks of South Africa(Absa)

Amalgamated Banks of South Africa is a commercial bank in Kenya and a subsidiary of South Africa. The bank is licensed and regulated by the Central Bank of Kenya and the national banking regulator. Absa Group Limited is one of Africa's largest companies, present in 12 countries across the continent. It is committed to finding local solutions to uniquely local challenges, offering retail, corporate, investments and wealth management solutions, and focusing on adding value. Absa bank Kenya offers a wide variety of products ranging from loans, credit cards, savings, investments and mortgages.

Absa bank was founded in 1916, the National Bank of South Africa merged with Anglo Egyptians and the Colonial Bank in 1925 to form Barclays Bank, in 1953 the bank was licensed in its present form and incorporated locally in 1978 as the Barclays Bank of Kenya Limited, the bank listed its shares in the Nairobi Stock Exchange (NSE) in 1986 when it

successfully completed an IPO which traded under the symbol: BARC. As of December 2019, the bank was a major financial services institution in Kenya with an asset base of over KSh 374.109 billion (USD 3.561 billion) and a net worth of KSh 44.079 billion (USD 419.654 million). As of March 2014, Barclays Bank of Kenya was the fifth largest commercial bank in Kenya, behind KCB Group, National Cooperative Bank, Equity Group, and Standard Chartered Bank.

In 2013, Barclays plc adopted the combined strategy to operate as one bank in Africa by merging its businesses in Africa other than Zimbabwe and Egypt through Absa Group Limited to form Barclays Africa Group. As of December 2016, the bank had 121 branches and 240 ATMs in various locations across the country, being the major shareholder in stock of the Absa Group limited with 68.5% ownership. In 2016, Barclays announced plans to exit the African market by selling off its entire 62.3% shareholding in Barclays Africa Group. In December 2017, Barclays plc completed its majority shares in Barclays Africa Group Ltd to 14.9% from 62.3%. After getting the required government regulatory approvals, Barclays Africa Group exited the African market. Barclays Africa Group announced its plans to rebrand all African operations to Absa – subject to approval – which will happen by 2019

Early this year, the bank announced its commitment to adding value by innovating unique solutions to solve unique local challenges. The bank committed to investing over Ksh1.6

billion in technology to enhance service delivery and digital products to provide solutions to improve efficiency and customer experience. Some of the other innovations the bank has carried out include automation of the top-up loan process, rolling up a full-fledged online business banking platform. Absa bank is future-focused, driven by the desire to thrive in the digital age. The transformation is deemed to bring along the growth and economic prosperity. The launch in May 2020 focused on the bank combining century-long experiences with new innovative technologies, innovative products and a vibrant new way.

1.2 Research problem

Managers of many corporate organizations need to manage their performance in order to achieve their goals in the current volatile and dynamic business environment. The rapid changes happening in the banking business sector are forcing firms to rethink how they do business so as to remain competitive in the ever-changing market. Without a strategy, it is hard for firms to survive the stiff competition in the business world.

According to Amanpur and Evan (1984), strategic innovation is empirically associated with superior performance. Gibbins and Totolos (2018) observed that in the last decade, use of digital loans has continued to rise in the Kenyan population due to easy access to loans due to increased technological innovations. Walker (2004) said that a company will better perform when it has a competitive advantage and superior performance. Strategic Innovation makes a business more efficient and profitable.

Despite all these, Innovations can be more burdensome and face dilemma that exist in both incremental and radical innovations. Countries and firms that are continuously innovative become giants and leaders of the economic ladder that significantly contributes to economic growth of a country. This is clearly denoted by European countries like Japan and the USA that intensively invest in R&D and highly demonstrate the highest patent activity. Uncertainties in the market and technology may affect how an organization tackles innovation and implementing it. Strategic Innovation positively influences the enterprises' performance and operations by improving the companies' efficiencies. (Kiraka, Kobia,

&Katwalo, 2015). Thus, firms that aggressively adopt innovations have higher chances of recording greater returns, better process flows, efficiency and effective run.

Many scholars and researchers have studied the relationship between strategic innovation and the operational performances of organizations. They include (Iusweti, 2009; Walker, 2004; Little, 2004; Kemoli, 2010; Amanpour and Evan, 1984). Their studies have come to appreciate and embrace a significant contribution of strategic innovations to firms' performances. However, some of the studies indicate a negative impact or none at all of the innovations on performance. The studies include: (Chandler and Hank, 1994; Capon et al., 1990; Subramanian and Nilakanta, 1996). The authors suggest that even though there is a relationship between innovation and performance, all are very contextually dependent. There is no case study included in the text to reflect the influence of strategic innovation on the operational performance of Absa bank in Kenya. In previous research, companies mainly focused on product innovations on performance of various organizations. This paper looks at the various aspects and the nature of innovations and their effects on the operational performance of Absa bank in Kenya plc.

1.3 Research objectives

The overall goal of this research is to investigate the influence of strategic innovation on the operational performance of Kenya commercial banks in the context of Absa Bank Kenya plc. The specific goals will be to:

1. Determine the nature and application of strategic innovations in Absa bank Kenya to foster performance
2. Establish factors that influence the development and implementation of strategic innovations in Absa bank plc

1.4 Value of the study

Many organizations have benefited from strategic innovation, including companies, universities, and government agencies. This study is indispensable for a variety of stakeholders in the banking sector, including bank executives, future bank managers, policymakers, and current and future academicians. The management of banks will find the results of this study fascinating since it will enlighten them on the effects of strategic innovations practices on organizations' operational performance. They will gain sufficient knowledge on various strategic innovations available in the market and how each can be utilized for efficient operations, leading to more remarkable performance outcomes.

The study results will contribute towards equipping the Absa bank management with the necessary knowledge and understanding of the nature and various technological advances at their disposal for efficient operations. Absa Bank will directly benefit from this study because most of the recommendations will be from issues directly affecting the bank. It will also enable the bank to understand their Customer profile and preferences and their roles in developing sound strategies expected to result in better outcomes. The Absa bank management will use the findings in advancing growth strategies and improved performance.

The policymakers will learn the industry dynamics and the best responses that are appropriate for various specific players in the market. They will receive the necessary information to guide them in designing relevant policies and guidelines to direct and regulate the banking industry. The study will provide information to potential and current scholars on strategic management issues and further expand their knowledge on the nature and influence of strategic innovations on organizational performance. The findings in this study will be significant for future researchers and academicians. It will help to develop new knowledge and serve as a reference. The researchers and other academicians will be better positioned to comprehend the concept of strategic Innovations deeply in the context of the banking sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the various theories surrounding the research and provides a detailed review of empirical research on the influence of strategic innovation on operational performance., provide an analysis of the strategic innovations .it touches on the concept of strategy, various strategic innovations on performance. It provides a detailed review of empirical studies, looks at the conceptual framework and finally identifies the knowledge gaps in the literature evaluated.

2.2 Theoretical Foundation of the Study

The research is based on various strategic theories. Strategic innovation theories are the prepositions put in place to explain the rationale and major arguments relating to strategy innovations on the operational performance of firms. The theories give more insight to the stakeholders and even aspiring banking professionals. "Strategic innovations" is a term sometimes used to describe a type of innovation that has a major impact on an organization's business strategy, such as the use of a new technology, a new market, or a new type of business.

2.2.1 Knowledge-based theory

The knowledge-based theory presumes that knowledge is the most valuable resource for the firm and is hard to imitate. The proponents of knowledge-based resources argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance. Treat knowledge as the company's most important asset. The capability of a firm to develop new ideas is highly dependent on the pool of knowledge of that organization (Subramanian and Young, 2005).

On the other hand, a rare resource accords the organization the opportunity to explore and carry out activities in fields, which its competitors cannot operate due to the rarity of the resource. Legally protected documents such as trademarks, patents, and copyrights are challenging to imitate and often solely owned by the rightful owners. Such resources are usually only available to the controlling firms when needed. The controlled access allows the firms to establish a competitive advantage over their competitors. Similarly, non-substitutable resources exist when the resource-based combination of other firms cannot duplicate the strategy configuration of a particular firm. The firm, therefore, singularly holds the know-how to produce or provide specific goods or services.

2.2.2 Resource-based

According to Barney (2001), a resource is considered strategic if it's difficult to imitate, rare to find, hard to copy or substitute. As propounded by Wernerfelt (1984), the resource-based strategy proposes that the possession of strategic resources provides an organization with an excellent opportunity to develop competitive advantages over its rivals. A valuable resource improves the organization's efficiency and effectiveness by utilizing options and neutralizing the threats posed by the competitors.

The resource-based theory stresses that strategic resources are often created by taking several strategies and resources that could be copied and bundling them together in a problematic way to duplicate. Valuable resources have a high initial cost of acquisition, making them rare in occurrence amongst firms. Therefore, firms that own these resources have the advantage of operating in fields beyond the reach of the competing firms that do not possess them.

Firms in their pursuit to rise and maintain their dominance over their competitors should innovate and adopt strategies that would be hard to imitate. Bingham and Eisenhardt (2011), argued that operational performance results from both the characteristics of personal resources and the linkages among the help.

2.2.3 The dynamic capability theory

According to Barreto (2010), Dynamic capabilities has been a focus area especially in the field of strategic management. This theory then explains the inherent capability of the organization to optimally and purposefully adapt and hurl the organization's resource base. According to Eisenhardt and Martin (2000), dynamic capabilities is a valuable resource that creates new resources that can result to aid in case of the market change. The market is said to change when it evolves, emerges, splits or even dies.

The theory essentially affirms the environment-dependent idea that organizations are environmental serving and environmental dependent (Velasco, 20002). Organizations are affected directly by changes both in the internal and external environment. While organizations exercise a degree of control over the internal environmental factors, they do not control the activities or events in the external environment. According to Tees, Pisano, and Chuen (1997), dynamic theory is the ability of a firm to combine, shape, and reform external and internal experiences in order to respond quickly to an ever-changing business environment

Early research on dynamic capabilities reveals a direct relationship between performance and emotional capabilities, Zollo and Winter (2002), established a direct relationship between company performance and its dynamic capabilities. They suggested that if the firm lacks dynamic capability in the changing environment, then the firm's superiority and

survival will remain temporary. The success of a firm depends not only on the resources and capabilities it possesses, but also on how it adapts to the market in which it operates (Rua, Franca, & Fernandez Ortiz, 2018).

2.3 Strategic Innovation and operational performance

Strategic innovation entails Identifying improvements that could make a company more competitive. Under the current conditions, success is a transient achievement that competitors can take away from you at any time, so it's important to be strategic in your innovation efforts (Sinha 2004). Innovation is the process of coming up with new ideas, products, or methods to tackle a competition issue. In other cases, inventing entails looking at an existing idea or product from a different angle with the intention of improving it. Wladawsky-Berger (2008), defines innovation as the process of producing pictures and developing inventions in order to bring new products, processes, and services to the market. Identifying improvements that could make a company more competitive is what innovation implies. Innovation, therefore, represents an opportunity for firms to make and modify their goods, services or processes to improve their performance. Schumpeter, states that innovation is the driving force for development. According to Rubera and Kirca (2012), innovation is defined as a company's responsiveness and willingness to respond to new ideas, which leads to the launch and development of new, superior products. However, it has been hard for experts to agree on a precise set of innovation types which include:

2.3.1 Product/service innovation

Product/service innovation entails proper utilizing of technology in introducing systematic or radical improvements in the way products/services are designed, conceptualized, functions and used. Alegre (2006), products improvements involves the technical design of the product features research and development, and finally marketing the products through commercial activities. This can be value addition by either adding a new feature to a product already developed, or creating a new notable product to address the unique and unexpected concerns of consumers

This line of innovation adds to the existing product line in the firm's product catalogue. There is a need to innovate in the banking sector to survive in the highly competitive market and these entails companies modifying its technical specifications, components and materials, incorporating software, and making its products more user-friendly in order to attract more consumers. Product innovation also considers the changing preferences of customers and the current product characteristics that consumers will be willing to buy. Product innovations create new ways of performing various production tasks, which highly contributes to lower costs resulting from inefficient operations that generate more significant revenue.

2.3.2 Organizational innovation

Often an important source of organizational innovation is the reinvention of the administrative structure of the firm. It encompasses changes in business practices and the internal or external relations between organizations. The organizational innovation is intended to improve organizational operations by reducing administrative costs, improving the workplace by encouraging labor productivity and reducing costs of supplies. All of this leads to efficient operations performance

2.3.3 Market innovation

Marketing innovation is the development and implementation of unique marketing tools or designs to make significant changes in product design, packaging, placement, promotion, and pricing. According to Moreira & Silva (2012), marketing innovation is the company's ability to develop new products and manage them for sustainability in business. Marketing innovation is essential tool for organizations aspiring to attain a sustainable competitive advantage (Ren et al., 2010).

It entails continuous and additional adjustments to current operations, which enables organizations to differentiate themselves from others. Ultimately, firms are considered innovative when they engage in marketing innovation as part of their overall innovations strategy. Hall, Mairesse, Mohnen (2009) argues that market innovation can contribute to

higher productivity and performance through sales increase due to positive customer perception of the company products.

2.3.4 Process innovation

Process innovation mainly focuses on improving work processes in creating, delivering, and supporting products and services. Businesses are making significant changes in software, techniques, and equipment, such as installing new or improved manufacturing technology, such as automation equipment or real-time sensors that can adjust processes, computer-aided product development. In many cases, this type of innovation is overlooked because it often does not generate a direct or measurable increase in demand or sales. This type of innovation can reduce production costs when successfully applied and results into increased profits. Majorly the process entails equipment and technology upgrading to make processes more efficient and effective. significantly improving the supply chain to be more predictable and systematic, redesigning and Reforming business workflows and processes to minimize redundancies. Process innovation has got the lowest risk, yet its benefits are always underappreciated since the changes are only seen and valued internally in many cases.

Organizational performance refers to the achievement of an enterprise with respect to some criterion (or criteria) (Machuki and Aosa, 2011 organization. Organizational execution has been characterized as a set of accomplishments picked up after actualizing a set of

practices (Alosani, Yusoff, and Al-Dhaafri, 2019). Measuring performance means assessing the achievements resulting from the implementation of a set of practices (Neely, Gregory, & Platts, 2005). Performance measurement, therefore, entails assessing the organization's traction towards the achievement of certain pre-set goals. Measuring firm performance has been a major challenge for scholars and practitioners as well (Simerly and Mingfang, 2000). Chakravarthy (1986) observed that performance is a multidimensional construct and thus, any single index may not be able to provide a comprehensive understanding of the performance relationship relative to the constructs of interest and therefore, it is important to look at multiple indicators.

Over the years, performance measurement systems have undergone development from a purely financial based approach to a collective business driven approach. The proposition by the recent scholarly works indicates that a more comprehensive approach to measuring organization's performance should factor in both financial and non-financial measurement systems (Grawe & Daugherty, 2009). The balanced scorecard (BSC) is one the modern-day performance measurement instruments that many scholars have touted to be considerate.

Previous studies conducted in the strategic management field indicates a positive relationship between strategy innovation and firm performance. According Walker (2004), innovation influences performance in all dimensions. These dimensions include, financial,

market, operations and operative performance. A study by Faruk and Garry (2013) on the impact of strategic innovation management practices on firm innovation performance established a positive relationship between innovation management and innovation performance. Peter (1999), who conducted a study on product innovation, product–market competition and persistent profitability in the U.S. pharmaceutical industry, concluded that superior financial performance results from the more-or-less temporary monopoly positions that correspond with the introduction of valuable innovations to the market. Most importantly, the study emphasized that superior financial performance is only sustained at the firm level when innovation is repeated or when competition is weak. However, a valuable product innovation may arise as the result of an underlying innovative capability, or it may be the result of a chance event.

2.4 Empirical studies and research gaps

Comparable research studies conducted by Wolf and Pet,2005; Walker, 2009 on the effect of product and process on firm performance revealed that a firm's growth relies highly on particular product improvement. Giang, Ngoc (2016), examined how the performance of some supporting firms was being affected by innovations in Vietnam, the researcher looked at different industries and selected companies by using a purposive sampling method, and then used a structured questionnaire to collect data from a sample population, including the CEO of these firm. Peter (1999), concluded that superior financial performance for a

company in the U.S. pharmaceutical industry comes from the temporary monopolies that come with the introduction of new innovations the study emphasized that excellent financial performance is only sustained at the company level when a company is able to maintain a high level of creation, or when a company is able to maintain a high level of competition. An innovation may arise from an underlying innovative capability, or from a chance event. Little (2004), suggested that there is a vast untapped potential to improve profit growth through innovation. His conclusion is that excellent innovation can increase revenue by 4%, top innovators' sales of new products are 2.5 times their sales, and they get more than 10 times the return on their innovation investment Faruk and Garry (2013), found a positive relationship between innovation management and innovation performance.

Various local scholars have analyzed the relationship between innovation and organizational performance in local settings. Kamaki (2014), studied how commercial banks' performance and product innovations in Kenya were affected by the innovative invention. The study used a descriptive research design that indicated that the invention resulted in increased performance, a significant market share and organizational efficiency Ngumi (2014), conducted a study of the impact of banking innovation on the financial performance of commercial banks in Kenya and found that innovation had a statistically significant impact on the efficiency of banks in Kenya, both in terms of cost management and in terms of making a profit through the introduction of new topical products.

Oduyembo (2008), conducted a study on the innovation strategies adopted by Standard Chartered bank. Globalization is making it harder for companies to compete and sustain their customers, so they need to be more innovative to do so. A study by Jane Nyambura (2014), on the impact of strategic innovation on the performance of Kenyan mobile carriers found that strategic innovation has a positive impact on an organization's performance. According to Walker (2004), innovation affects productivity in all dimensions. These dimensions include financial, market and operations performance. None of these previous studies has fully explored this specific study, i.e. In this study, the author will evaluate the influence of the strategic innovation on operational performance at Absa bank in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was applied to answer the research questions presented earlier. The chapter also explains the research design, data collection methods, data analysis and presentation techniques that was deployed in the study.

3.2 Research design

Considering that the analysis unit contained only one organization, Absa Bank, the study adopted a case study design which proved to be convenient and appropriate for the in-depth, detailed and intensive investigation describing the interest of the phenomenon in question. According to Kothari (1990), a case study is a form of qualitative analysis where studies are done on units and data generalization and inferences are drawn. The number of units to be studied is small which allows thorough exploration of a unity deeply and thoroughly. The study method was an appropriate research design that allowed extensive exploration of the case's critical characteristics, meanings, and implications which provided concrete, contextual, and detailed information on the effectiveness of strategic innovations on operational performance applied by the organization.

3.3 Data Collection

This study employed the use of both primary and secondary data. Primary data was obtained by interviewing various stakeholders that were involved with the development of strategic innovations in the organization by the use of an interview guide. The interview guide proved to be easy to administer, convenient and appropriate for this study

An interview guide was prepared and divided into sections with open-ended questions to assist in collecting qualitative data on strategic innovations applied by the bank to improve on performance. The first segment comprised questions about the respondent's bio data, whereas the remaining sections contained questions about the study's specific aims. The interview guide was send through emails rather than the drop-and-pick approach as planned earlier. This was highly attributed to Covid 19 protocols being observed in the bank. The researcher realized that most of the employees were still working from home and there were little personalized services that were being offered in the organization.

The questionnaires were send to various senior managers and departmental heads of various departments involved in the company's strategic management with the purpose of identifying various innovations adopted and its influence on performance. It was established that the communication department was solely responsible in authorizing any communication or company data to any outsiders. The department coordinated the distribution of the questionnaires internally, adequate time was allowed for the exercise to

be executed and eventually all were filled in and sent to the researcher. Secondary data was obtained from the organizations history and performance online and the company's website. The data was used to learn more about the organization's history and performance.

3.4 Data Analysis

The data that was collected from the interview guide was thoroughly examined and checked for completeness and consistency. Given that the data was qualitative, content analysis was used to analyze the data and generalization and inferences drawn. According to Creswell (2003), content analysis is a technique used for drawing conclusions by systematically and objectively identifying certain features of news and identifying related trends. Content analysis involves detailed description of objects, items or things that comprise the sample (Mugenda and Mugenda, 2003).

CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Introduction

The analyzed data, as well as interpretations and discussions of the research findings, are presented in this chapter. This study's goal was to establish the nature and application of strategic innovations and how they influence Absa Bank's operational performance. The data analysis was carried out in accordance with the study's research objectives. The findings of the analysis are also discussed in this chapter. Heads of departments, senior bank managers, chief operating officers, and the executive director were all targeted in the study. Content analysis was used to interpret the information gathered. It was discovered that successfully implementing innovation strategies improves the company's operational performance significantly.

The executive committee at Absa Bank's headquarters (West-end Nairobi, Kenya) formulates innovation strategies, which are then communicated and implemented by the various business units and branches. The top management team is in charge of putting operational strategic innovations and policies into action, and the Board has given them the authority to make general and operational business decisions. All innovation strategies and policy decisions must be approved by the Board.

The respondents were interviewed using an interview guide. The researcher reached all the respondents through work email addresses since they were not reachable physically or in their personal phones or in their offices at West end-Waiyaki way. Some of them did not respond at all, some who responded were not willing to disclose all the necessary information and others were not willing at all to engage. Six out of ten respondents were interviewed by the researcher. The researcher found it helpful to establish the general information of the respondents in order to achieve the study's main goal. Employee position in the bank, level of education, work experience, and current department held were all included in the general information provided by the respondents. Top and middle management who are involved in strategy development in the bank were among the respondents.

The study discovered that three of the respondents were senior managers and the other three were middle management managers in charge of planning, product development, ICT, and marketing departments. According to the findings, 4 (67%) of the respondents had earned a postgraduate degree, while 2 (33%) had earned a bachelor's degree. It was also discovered that the respondents had taken a variety of other short courses, including professional courses such as CPA, CS, and ICPAK, as well as refresher courses that were both internally and externally provided from time to time and also on-job trainings organized by the Bank.

According to the findings, the majority of respondents had earned academic credentials that were equivalent to their job title, indicating that they were knowledgeable about strategy formulation and implementation. The researcher needed to know how long the respondent had worked for the bank. According to the results, the majority of respondents (50%) had more than ten years of experience, while 33% had more than five years. It also reveals that 17% of those surveyed had less than 5 years of experience

4.2 Nature and application of strategic innovations in Absa bank to foster performance

One of the study's goals was to discover some of the Absa Bank strategic innovation tactics used to improve performance. The respondents were interviewed in order to address the research question, the results are discussed in the following subsections

4.2.1 Mission and Vision

The bank has a mission and vision statement, which is documented and is part of its overall strategic plan, according to the respondents. The company's vision reads "Our ambition is to sustainably create shared value and play an integral role in our customers' and clients' life journey". Absa Bank believes in a non-racial, non-sexist democratic society where all people can prosper. The banks vision and vision statement is reviewed after a period of 10 years together with the innovation strategy. The bank possesses the innovation growth

strategy which was relaunched on 1st march 2018.they just completed their new brand to build unique to maintain their market grip. The bank is committed to outperform by going beyond customer expectations, continue to invest in strategic capabilities that drive market leadership. In addition to continuing to build a modern technology architecture that powers digital, the bank is committed to promoting inclusivity growth in the societies in which they operate by utilizing their financial resources, human expertise, and available infrastructure. To deliver fast-lane innovation, use a transformation, evolve, and execute model. Create and nurture a culture of entrepreneurship. The mission and vision statements are also reviewed after a five-year period, when the entire strategic plan is also reviewed, according to the employees interviewed

4.2.2 Strategic innovations adopted by Absa bank to foster performance

The study also sought to find out whether Absa Bank of Kenya had an innovation strategy. According to the respondents, the bank had an innovation strategy which is part of the overall strategic and marketing plan. Absa Bank Kenya PLC new strategy is designed to deliver a customer obsessed, digitally-led financial partner that is a Force for Good in the community. The current strategy was formulated in the year 2018 and was reviewed in-depth in the year 2020 to evaluate the execution process and assess its relevance given the current environmental changes. The bank innovation strategy as a consequence of some shifts and accelerations that are required to drive the modernization of the business, not

only to maintain relevance but to thrive and advance as a business. The strategy is more focused on developing and nurturing a more entrepreneurial culture, creating more competitive digital, data, technology and innovation capabilities and Leveraging strategic partnerships to create market leading capabilities

4.2.3 Product Innovation Strategy

The study reveals that Absa bank uses a number of strategic innovations to achieve greater performance. The bank took time to reach out customers across the country to better understand their tastes and preferences and their expectations from a financial partner, this helped them to redefine their propositions and develop new products to satisfy their customers' needs and preferences. The bank committed over Kshs 1.6 billion at the beginning of the year into developing digital products and solutions that will improve efficiency and offer differentiated customer experience. It grew its business by introducing new proposition in its products portfolio e.g Automation of loan top up process which enables customers get loan top ups asap. Amid covid 19, the bank instituted different financial relieves initiatives to assist its clients navigate the effects of the pandemic, the bank revamped their Wezesha SME proposition to include unsecured loans of up to KES10 million aimed towards empowering SMEs which are their main driver of economy.

The bank introduced Kenya's first vertical credit and debit cards, which provide customers with greater convenience and a variety of benefits such as cashback rewards and discounts

across 1000 retail outlets. Absa One, an all-in-one account with no minimum balance requirement and no monthly fees, was also introduced by the bank. This account includes unsecured loans of up to Kes6 million for individuals and Kes10 million for businesses, 0.5 percent cashback rewards on all ATM and debit card transactions, and a multicurrency prepaid card that can be loaded with up to 8 major currencies. Restructured mortgage offering to include 100 percent financing, the market's lowest interest rate of 11.75 percent, and a waiver of all legal fees for customers transferring their mortgages to Absa. Expanded their Timiza product, a mobile app that allows users to borrow money instantly and encourages them to save by offering the best interest rates on the market (up to 5%).

To improve communication efficiency, the bank introduced the Absa Chat Bot, a virtual assistant that allows customers to get answers to their frequently asked banking questions via WhatsApp. To meet the needs of all of its customers, the bank introduced Islamic banking with the Absa one La lipa account for salaried customers and the La Riba Alwahda account for both self-employed and salaried employees, regardless of faith. The My SME Tool is an online tool that allows SMEs to perform important tasks such as planning and cash flow management. The Absa Mobile Banking app has been upgraded to give customers more convenience by unlocking and gaining access to a wide range of transactions using fingerprints or facial recognition. ensuring that they are always one step ahead of their competitors. The bank also takes advantage of the first mover advantage, with the goal of becoming a game changer in the country's financial sector. The bank also

competes on USP, so it can charge a premium for a product that appears to be generic. According to the respondents, the bank has implemented five different innovation strategies in the last five years. It's worth noting that the respondents believe the bank needs to use more effective strategies to stay ahead of the competition. Other players such as telecommunications companies and retail outlets, insurance companies, and Saccos compete fiercely with the banking industry. ensuring they stay one step ahead of the competition

According to the findings, the product innovation strategy employed includes developing and nurturing strong customer products through the use of technology and business reengineering made products such as Zidisha bonus account that rewards customers upon meeting their savings goals savings account, Target save account for both individual and business accounts. Foreign currency invests in USD and GBP currencies to earn competitive rates. Premier banking services was also introduced to meet the needs of high net worth customers who prefer preferential treatment and don't wish to queue in the bank. The bank has also adopted the use of internet banking to break geographical barriers thus enabling customers to transact without necessarily having to come to the bank. The bank established strong dominance in the public sector and is able to make whatever kind of payments may it one-off payment, bulky, domestic or international transfers via SWIFT. It has tailored products and services to suit various categories for example Foreign currency accounts in all major currencies with zero maintenance fee, access to multi-currency card

to manage foreign payments, La lipa business current account best suited for businesses who prefer Islamic banking products. This particular segment for example salary processing for big corporate institutions like Hall mark marketing agency, DOD and others as well as leveraging technology to connect its system with other big clients like The university of Nairobi for ease school fees collection.

The study revealed that some of the innovative delivery channels used by the bank include: the ever expanding branch network, mobile and internet banking, agency banking and ATMs. The bank has established a 24/7 call center that handles customer grievances and issues promptly. The call center also acts as a one stop center on all issues relating to the bank The Bank has also introduced new SME Wekesha biashara preposition, Customer Value Propositions developed for SME banking, the preposition offers unsecured loans of up to 10 million, as well as LPO financing and invoice discounting of up to Ksh50 million. This has enabled the bank to lock their SME customers from competitors.

In order to meet the needs of its customers, the Bank has introduced a number of products and services. Some of this services include Free Mpesa withdrawals and deposits, Absa pay bill number to support businesses, higher ATM withdrawal limit of Kshs 100,000, free access to Absa App, mobile and internet banking with biometric access The products include Twin Reward Account, a call deposit account that pays interest on average balances held. Absa one business account is also another product designed for all businesses,

partnerships and sole proprietors with no monthly. Business Club Account tailored product to suite businesses with higher turnover at their growth stage

4.2.4 Organizational/Business models innovation strategies

The Rebranding of the Absa bank is part of a recent business innovation adopted . Absa;s business model strategies include brand transition to completely transform the business into a customer-centric organization that prioritizes customers in the center of all decisions, prepositions and initiatives. Delivering market leadership and enhancing Absa's competitive edge. contactless banking the bank has grown customer numbers and assets through expansion of the enhancing the value proposition of anchor products; and leveraging the Absa brand.

4.2.5 Human Resource Innovations

Most organizations fail at digital transformation because they do not include people in the process. As the bank transitioned its name from Barclays to Absa, it began a cultural shift in which employees are now as much a part of the process as anyone else. Based on the findings, the bank, identified three strategic areas to focus and make real changes namely: Education and skills, enterprise development, financial inclusion created business units, with general managers and division heads in charge of business missions. Absa Bank has also reorganized its support functions to better support its business units, resulting in a reduction in the number of divisional level heads. The bank underwent reorganization and is now guided by a performance management system. Providing insights to help the bank develop new products and services by driving leadership thought.

Employee learning and continuous training, according to the findings, has an impact on strategic innovations because allows employees to obtain and retain the necessary expertise, skills and knowledge, the bank has partnered with some educational institutions to provide internships which exposes the students to the real practical business world. The recent partnership of Absa bank with KEPSA to provide digital skills to youths and empower them with the digital job opportunities across the country through the Ajira digital platform allowing them to seek out new ways of doing things on a regular basis.

Maintaining an innovative culture is a top priority for the bank. The bank's dynamic leadership and open door policy have helped to foster a culture openness and inclusivity where employees are free to share and interact freely. The norms in place encourages innovations and creativity in order to foster an innovative culture. Most organizations fail at digital transformation because people are not included in the process. Gratifying employees for their efforts improves their morale and creates a good working relationships thus contributing to innovative culture.

The bank has established clear compensation and promotion policies. Employee benefits are proportional to their level of commitment to their jobs. Despite the fact that the majority of employees polled praised the Absa bank's communication culture. The bank's management has ensured that information is freely shared. Furthermore, the bank has established clear guidelines for evaluating and hiring potential employees. The Bank offers interest-free loans to its employees in order to ensure that they have the necessary skills and knowledge. This encourages self-development and continuous learning/selection of prospective employees.

Management has provided the necessary equipment, materials, and facilities, such as offices, to ensure that employees are dedicated to their jobs. Despite the fact that the majority of employees polled praised Absa's communication culture. According to the

respondents, team building activities were also implemented in order to boost employee morale and strengthen bonds. educating/selecting potential employees.

4.2.6 Organization Structure and leadership in Supporting Innovations

The study revealed that the bank leadership works hard to reduce bureaucracy, the organization provides the material and financial support to facilitate the smooth development and implementation of strategic innovations. Business-focused roles have been assigned to all general managers and division managers. Business and support units have also been established by the bank. This implies that the bank's organizational structure has been designed to include all levels of employees in the innovation process. according to the managers, the bank possesses sufficient capacity to support strategic innovations.

In highly competitive industries, high levels of innovation are essential. In order to help the innovation process, the bank's leadership and management have asked staff to come up with new product development ideas from time to time. The bank's capacity to obtain technology and information from external ties was criticized by the respondents. By partnering with other service providers and digitizing journeys, the bank was able to expand its capabilities and solutions and provide exceptional customer experiences. Banks are currently using flat structures to encourage the free flow of ideas and foster a culture of creativity and innovation.

4.3 Factors influencing strategic innovation development and implementation

The study's second goal was to determine the various factors influencing strategic innovations development and implementation in order to establish whether the bank has the necessary capacity to support strategic innovations, also establish how the strategic innovations assist in transforming operations, factors affecting its successful implementations and how to alleviate those factors .Based on the findings, Absa bank's organizational culture, customer needs and preferences, technological changes and leadership and management are some of the factors influencing the development and implementation of strategic innovation in the bank.

4.3.1 Technological changes

Technological factors in the banking industry, has become key driver of innovation because it ensures the entity's survival. Absa Bank is now able to provide E-payment solutions as well as real-time online electronic fund transfers, demonstrating how technology has become influencer in the development of strategic innovations. According to the study, the bank has used technology to develop innovative delivery channels that have made banking services more accessible to customers, as well as to foster a strong, learning, and innovative culture. Not forgetting the recent digital job opportunities, Ajira Digital

The bank's innovative delivery channels included mobile and internet banking, agency banking, Islamic banking, trade finance, and off-site ATMs. All functions, as well as technological configuration and collaboration with corporate clients. Changes in government policy can have an indirect impact on innovation strategy by leading to initiatives to cultivate innovative activities such as agency banking, the M-swari concept, and M-pesa services, which have revolutionized mobile banking.

Changes in the regulatory environment, as well as changes in the bank's external environment, have been found to have an impact on the development of strategic innovations. Because of the banking industry's competitive nature, the bank must constantly seek out new and better ways to serve its customers. According to reports, the bank has hired new employees to critical departments like marketing and product development, in order to contribute innovative ideas by gathering market data for new product development that meets customer needs.

4.3.2 Customer needs and preferences.

In the banking industry, supercilious customer service has become a must. In order to deliver quality in a competitive market, businesses must regularly improve their customer care services and experiences. Successful strategic innovation formulation and implementation is a proactive and hands-on activity focused at the execution of core business activities in a way that supports the innovation strategy. Due to the banking

industry's competitive nature, the bank must consistently innovate new and unique ways to serve its customers. The bank has engaged qualified employees to spearhead critical departments such as product development and marketing to generate valuable ideas through market intelligence to facilitate development of the new products to satisfy customers.

Aspired to be Africa's leading financial services provider through Africanacity in action. The bank is committed to doing whatever it takes to ensure all its customers around the region have the best services and products possible by working hard to stay close to its customers, analyze their needs, assess market needs and trends, and quickly respond to the changing business demands. Absa Bank's innovation strategy is more customer-centric, with the customer at the center of everything they do. This is well demonstrated by the bank's decision to centralize all back office work to enhance smooth flow of operations. The bank has adopted a solution-oriented mindset to excel at executing and resolving customer-related issues. To carry out the execution process, the bank employs the following strategic imperatives that enables them to collaborate in order to convey shared value to a wider scope, thus reclaiming market leadership.

4.3.3 Leadership and management commitment

Efficient leadership and management commitment highly contributes to success in strategy development and implementations. The role of top management in any organization is to formulate strategies and oversee its implementations. The study discovered that the bank's

top management are indeed fully in charge of formulating and implementing the bank's overall strategy. This is evident in their commitment to the bank's transformation, as evidenced by their commitments to provision of sufficient resources for product development, major expansions, and the bank rebranding. To attract and retain staff with adequate skills and core competences, the bank has adopted a rewarding system whereby employees are rewarded for their creativity and innovations.

It's evident that top management support strategic innovations through securing and committing sufficient resources for strategy formulation and implementation. It was established that the bank management and leadership drives innovation since they are at the fore front to spear head, provide direction, and ensure that the vision and mission are compatible with the strategic innovations adopted to achieve the desired objective.

4.3.4 Organizational culture

The organizational culture allows employees to be part of the strategic innovations because they play a key role in implementing those strategies. According to the respondents, organizational learning and continuous training are another factor influencing the development of strategic innovations. It allows employees to acquire valuable knowledge and skills, thus promoting efficiency and effectiveness in operations. Employees are encouraged to be conscious of the strategic innovations that are put in place and carry out their routine activities in a manner that will promote the success of strategic innovations in

place. Great personnel capabilities, quality services, continuous learning and development, efficient management and leadership focused on continuous improvement of the bank's value-adding systems, and available resources are all essential factors in achieving a long-term competitive edge.

4.4 Discussion

The study shows that the bank has operated in Kenya over a period of 105 years with considerable network of 86 branches and about 212 ATMs and a sturdy mobile banking platform, the bank's purpose is to bring possibilities to life by putting its customers at the center of the bank's innovation strategy. The bank in its many years of existence has managed to survive the harsh economic, financial and political conditions of the industry. It recognizes the dynamics that exist in the business world that threatens its survival. Their network is backed up by internet and mobile banking, as well as a large customer service center that is open 24 hours a day, seven days a week. In order to meet the ever-changing needs of its customers, the bank is committed to supporting women in entrepreneurship and also assisting their customers in SME to navigate through the effects of the pandemic by revising and restructuring their products to suit their needs. The bank has continually innovated and reengineered its processes and operations to cater for customer needs. High-quality customer service is essential for attracting and retaining customers. The bank set up

customer relationship managers for corporate customers to better understand their needs and cross-sell other bank products, ensuring customer retention.

One criticism is that the researcher believes that some innovation strategies are planned and others emerge spontaneously from organizational members' actions and decisions at the bank. Another issue is that some top-level executives believe that implementing innovation strategies belong to lower-level employees while the role of higher-level top-managers is to formulate those strategic innovations innovation.

The ability of lower-level employees to implement strategic innovations is seen as critical to any organization. They must also be convinced of the importance of putting an innovation strategy plan into action and the various benefits accruing from the innovation for them to satisfactory perform. For the strategic innovations implementation to be successful, the organization must get all the stakeholders on board with the organization's plans as well as reduce time in the planning process. The bank's innovation strategy management process is based on the premise that provide unique opportunities for market differentiation and long-term competitive edge. Various obstacles, such as poor management support and understanding, insufficient training, and failure to allow sufficient time for the evolution, have been blamed for an organization's failure to successfully implement an innovation strategy.

The main obstacles to developing and implementing innovative strategies, according to the respondents, are resistance from key stakeholders such as staff, high project costs, lack of skills, and innovativeness. To mitigate these, top executives must support strategic innovations through providing resources, stewardship and direction. Continuous staff trainings are essential for strategy development and implementation not forgetting to rewarding innovative employees' in order to encourage and nurture creativity and innovation within the organization.

Some of the strategic innovations can be imitated by other players in the market, according to the respondents. However, the bank has attempted to create a one-of-a-kind innovation that is unrivaled in the industry. Owing to the speed with which the bank implements its strategic innovations, competitors find it difficult to match them. According to the research, if a strategy is solely based on price, competitors can easily match it.

Some of the respondents revealed that even though the bank has established relationships with a number of public and private organizations, there is still plenty work remains to fully capitalize and attain the fully benefits of acquiring knowledge and technology through external linkages and networks. They acknowledged that changing the organization's structure would eventually allow free flow of quality ideals from lower level employees to upper level executives. Many banks have now adopted flat structures in order to facilitate free flow of ideas to instill innovation. It was noted from the study that the bank had

sufficient capacity and capability to support development and implementation of the strategic innovations, the bank derived its financial strength from extensive local and international resources.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The findings are summarized in this chapter, and a conclusion is drawn based on the findings. It also makes the study's recommendations and identifies additional research areas.

5.2 Summary

The purpose of this study was to look into the nature and impact of strategic innovations on Absa Bank Kenya plc's operational performance. The findings of the study show that the bank has a well-known brand, highly skilled employees, and a diverse range of products and services with a broad market reach. The findings of the study revealed that the interviewees are aware of the organization's strategies and challenges in achieving its objectives. They are well-versed in the bank's strategy formulation and implementation procedures. The results obtained from the respondents, according to the researcher, reflect the true situation in the organization. Absa Bank operates in a highly competitive, dynamic, and highly regulated environment. The bank has worked to modernize its infrastructure by implementing new technologies, providing ongoing training, and maintaining a workforce that is highly motivated and eager to help the bank achieve its goals.

According to the findings, the mission and vision statements are documented and are included in the overall marketing/strategic plan, which is reviewed every five years along with the entire strategic plan. The bank employs cutting-edge pricing strategies to attract customers while staying ahead of the competition. The bank also takes advantage of first mover advantage, with the goal of becoming a game changer in the country's financial sector. In order to tailor products and services to meet the needs of customers, the bank also conducts market research. According to the respondents, the bank has implemented five innovation strategies in the last five years. It's worth noting that the majority of respondents believe the bank needs to implement more effective strategies in order to stay ahead of the competition.

Other players such as telecommunication companies, retail outlets, insurance companies, and Sacco's compete fiercely with the banking industry. Installation and implementation of an ICT core banking system are among the identified process innovation strategies adopted by the bank. The bank has also automated a number of back-office processes in order to improve convenience, save time, and reduce errors in order to better serve customers. Some back office work, such as account opening and related activities, credit application processing, and credit administration work, has also been centralized into head office. The bank conducts internal recruitments as part of its human resource innovation strategy, where the bank has established internal vacancy broadcasts to fill any positions that arise and the required competencies, skills, and academic qualifications can be met by bank

employees. Additionally, the bank conducts external recruitment to fill key roles that are new to the bank or that are created as a result of the new organizational structure. The bank also partnered with a few educational institutions to offer internship opportunities to aspiring bankers, who were eventually hired whenever a vacancy arose. The most recent collaboration was with KEPSA to provide digital training to youths in order to prepare them for digital work

Outside experience is a necessary catalyst for positive change, according to the bank. In terms of the work environment, respondents stated that the bank has created a conducive environment for staff development and nurturing creativity and innovation, and that management has provided the necessary equipment, materials, and facilities, such as offices, to enable employees to be productive. Employees will be much more relieved and at ease at work as a result of this. Team building activities had also been implemented, according to the respondents, in order to improve employee morale and strengthen bonds. The study revealed that the bank recently changed its organizational structure to support innovations, according to the findings and review of the bank's policy documents.

Business and support units have been established by the bank. This implies that the bank's organizational structure has been designed to include all levels of employees in the innovation process. According to the findings, customer needs, technological changes, and contextual variables such as managerial and employment structures, organizational

structure and culture, as well as staff skill development, all influence the development of innovation strategies in the bank. New market/product development drives innovation. The main challenges in developing and implementing innovation strategies include resistance from key stakeholders such as employees, customers, and suppliers, as well as the high cost of formulation and implementation and the rapid changes in technology that lead to continuous innovations. Some of the respondents agreed that competitors could copy some of the innovation strategies. The bank, on the other hand, has attempted to come up with a one-of-a-kind innovation that cannot be easily duplicated in the industry. The bank contributes a significant sum of money to the implementation effort.

5.3 Limitation of Study

Because this research was limited to a single organization, its findings may not provide adequate data for industry policymaking. The study only looked at Absa Bank Kenya, so it can't be extrapolated to other businesses or used to show industry trends. The study was also constrained by time because the researcher had to complete the study within a certain period of time, and thus the subject's exposure was limited. The study was also limited by unwillingness of the bank management to sufficiently disclose the company information; the concerned parties were not willing to disclose all the necessary information.

5.4 Conclusion

Innovation is key to unlocking any firm's potential. Technological breakthroughs are crucial in the banking industry; it has shaped how banks operate in today's business world. Businesses must be prepared to live and operate in the highly volatile and ambiguous business environment, and be strategic enough to be adaptable to change quickly. In a competitive market, businesses succeed because they can differentiate themselves from their competitors by providing greater value to their customers. Only companies that are constantly developing new strategies are able to maintain their market positions and earn superior long-term returns. Delivering a differentiated customer experience remains at the core of the bank's growth, transformation and returns strategy. Absa bank is committed to invest intensively in technology to roll out over more different technology projects that are aimed at transforming customer experiences. As the industries matures, companies are no longer able to differentiate themselves by attributes such as products and pricing, Firms seek alternative ways of operating to thrive so do Absa bank.

Both corporate and business strategies are significant in creating Sustainable competitive edge in any organization. The study concluded that the strategic innovations were mainly influenced by the Board expectations, competitors, disruption and investors. Some of the forces that influenced strategic innovations may be short term pressures that are both unpredictable and predictable that are both stifling to innovation. These sources were

discovered to have come from the possession of superior and high-quality internal capabilities and competencies. Superior capabilities of personnel, greater skills, high level of service quality, continuous learning on how to do things better, effective leadership on continuous improvement of the bank's value adding systems, and valuable resources were found to be highly significant in generating competitive edge for the bank. Competitive advantage cannot be achieved solely through innovation strategies. Firms continue to place a premium on strategic innovations to enhance firm's long-term survival.

5.5 Recommendations:

In accordance with the findings, the study makes the following recommendations. The bank should clearly define its target market and develop products that will meet their requirements. The bank can increase their market share in the market if they get it right on their target market and concentrate on providing their essential products. Absa Bank can gain a significant competitive advantage in the industry if it has strong research and development capabilities. The bank's product development processes are a reflection of its strong R&D efforts. Market innovation is frequently pushed forward by banks with strong research capabilities. Improve the quality of your product or the service you provide to your customers. Any business that can respond quickly to a customer's need and provide follow-up support will have an advantage over its competitors. Develop superior database management and data processing capabilities

When compared to other firms with lower processing capacity, any organization that demonstrates the ability to process data quickly results to better performances. Absa should invest in strong and innovative product and marketing strategies in order to remain competitive and thrive in the market. The company with the best strategic innovations wins in the market. No doubts about it. The competition to gain a stronger competitive edge in the marketplace is the reason why corporations spend millions of shillings on research and development annually. The analysis of the empirical study has revealed a number of important issues that were not addressed in the study but could be important for future research. This study was conducted at Absa Bank of Kenya Limited; future studies should look into successful strategic innovations that improve operational performance at other Kenyan banks. This study was conducted at Absa Bank of Kenya Limited; future studies should include other Kenyan banks.

REFERENCES

- Alosani, M. S., Yusoff, R., & Al-Dhaafri, H. (2019). The effect of innovation and strategic planning on enhancing organizational performance of Dubai Police. *Innovation & Management Review*.
- Atalay, M., Anafarta, N., & Sarvan, F. (2013). The relationship between innovation and firm performance: An empirical evidence from Turkish automotive supplier industry. *Procedia-social and behavioral sciences*, 75, 226-235.
- Barney, J. B. (2001). Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view. *Journal of management*, 27(6), 643-650.
- Calantone, R. J., Cavusgil, S. T., & Zhao, Y. (2002). Learning orientation, firm innovation capability, and firm performance. *Industrial marketing management*, 31(6), 515-524.
- Chakravarthy, B. S. (1986). Measuring strategic performance. *Strategic management journal*, 7(5), 437-458.
- Cho, H. J., & Pucik, V. (2005). Relationship between innovativeness, quality, growth, profitability, and market value. *Strategic management journal*, 26(6), 555-
- Fernandez Vidal, M., & Hwang, B. H. (2017). Digital Credit's Evolving Landscape: 3 Things You Need to Know. *Blog post. Washington, DC: CGAP*, 20.
- Ghalayini, A. M., & Noble, J. S. (1996). The changing basis of performance measurement. *International journal of operations & production management*.
- Gubbins, P., & Totolo, E. (2018). Digital Credit in Kenya: Evidence from demand side surveys. *Financial Sector Deepening (FSD) Kenya*. Available online: <https://fsdkenya.org/publication/digital-credit-in-kenya-evidence-from-demand-side-surveys/>(accessed on 16 April 2020).

- Ghalayini, A. M., & Noble, J. S. (1996). The changing basis of performance measurement. *International journal of operations & production management*.
- Grawe, S. J., Chen, H., & Daugherty, P. J. (2009). The relationship between strategic orientation, service innovation, and performance. *International Journal of Physical Distribution & Logistics Management*.
- Heizer, J., & Render, B. (2020). MBA-547 Operations Management Sustainability and Supply Chain Management. Kalay, F., & Gary, L. Y. N. N. (2015). The impact of strategic innovation management practices on firm innovation performance. *Research Journal of Business and Management*, 2(3), 412-429.
- Kiraka, R., Kobia, M., & Katwalo, A. M. (2015). Afuah, A. (2009). *Strategic innovation: new game strategies for competitive advantage*. Routledge.
- López-Nicolás, C., & Meroño-Cerdán, Á. L. (2011). Strategic knowledge management, innovation and performance. *International journal of information management*, 31(6), 502-509.
- Neely, A., Gregory, M., & Platts, K. (2005). Performance measurement system design: A literature review and research agenda. *International journal of operations & production management*, 25(12), 1228-1263.
- Ngumi, P. M. (2014). *Effect of bank innovations on financial performance of commercial banks in Kenya* (Doctoral dissertation).
- Njenga, A. D. K. (2009). Mobile phone banking: Usage experiences in Kenya. *unpublished MBA thesis of Catholic University of Eastern Africa*.
- Olsen, C., & St George, D. M. M. (2004). Cross-sectional study design and data analysis. *College entrance examination board*, 26(03), 2006.
- Roberts, P. W. (1999). Product innovation, product-market competition and persistent profitability in the US pharmaceutical industry. *Strategic management journal*, 20(7), 655-670.

- Rua, O., França, A., & Ortiz, R. F. (2018). Key drivers of SMEs export performance: the mediating effect of competitive advantage. *Journal of Knowledge Management*.
- Rubera, G., & Kirca, A. H. (2012). Firm innovativeness and its performance outcomes: A meta-analytic review and theoretical integration. *Journal of Marketing*, 76(3), 130-147.
- Simerly, R. L., & Li, M. (2000). Environmental dynamism, capital structure and performance: a theoretical integration and an empirical test. *Strategic management journal*, 21(1), 31-49.
- Vyas, V. (2009). Innovation and new product development by SMEs: An investigation of Scottish food and drinks industry (Doctoral dissertation, Edinburgh Napier University).
- Wanjiku, S. W. (2014). *Innovation and performance of micro and small enterprises in Kiambu Town* (Doctoral dissertation, University of Nairobi). Heizer, J., & Render, B. (2020). MBA-547 Operations Management Sustainability and Supply Chain Management.
- Zollo, M., & Winter, S. G. (2002). Deliberate learning and the evolution of dynamic capabilities. *Organization Science*, 13(3), 339-351.

APPENDICES

Appendix 1: Interview guide

This interview guide is designed to collect data from Absa Bank of Kenya Ltd on the influence of strategic innovations on operational performance. the data shall be used for academic purposes only

The study will use a variety of sections to ask questions as part of its investigation.

PART 1: RESPONDENT'S BACKGROUND DATA REVIEW

- 1) What is your current position in the bank?
- 2) What is the highest education level attained?
- 3) For how long have you worked with Absa Bank?
- 4) which department or division are you currently working in?

PART 2: NATURE AND APPLICATION OF STRATEGIC INNOVATIONS ON OPERATIONAL PERFORMANCE

- 1) Does the bank possess a formally documented mission and vision statement?
- 2) How frequent does the Absa bank review its mission and vision statement?
- 3) Does your organization have a strategy to drive innovation?
- 4) When was the current innovation strategy developed?

- 5) What organizational and business model innovations have the bank introduced over the last five years?
- 6) What are some of the innovation strategies adopted by Absa bank to improve its performance?
- 7) What Product Innovation strategies have the bank developed and adopted over the last five years?
- 8) What Process Innovation strategies have the bank introduced over the last five years? o
- 9) What are some of the HR Innovations the bank has adopted to enhance efficiency performance?
- 10) How effective and successful would you consider innovation strategies adopted by Absa in improving performance?
- 11) How does the Bank organizational structure and Leadership support strategic innovations?

PART 3: Establish factors that influence development and implementation of strategic innovations in Absa bank Kenya

- 1) Does the bank have sufficient capacity and capability to support development and implementation of the strategic innovations?

- 2) How does the innovation development assist in transforming operations performance?
- 3) What are some of the factors affecting strategic innovations development and implementation in Absa bank?
- 4) How is the bank being able to alleviate those factors affecting the development and implementation of strategic innovations?
- 5) What are some of the challenges experienced by the bank in strategy development and implementation?