INNOVATION STRATEGIES ADOPTED BY EQUITY BANK LTD

PRESENTED BY:

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A MANAGEMENT RESEARCH PROJECT PRESENTED IN PARTIAL FULFILMENT FOR THE AWARD OF MASTER IN BUSINESS ADMINISTRATION DEGREE(MBA)

NOVEMBER 2009

DECLARATION

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

Signature .... Date 19/11/2009 ....

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D61/P/8428/05

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

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DEDICATION

I dedicate this project to my family without whose support, love and understanding it would not have been possible.

ACKNOWLEDGEMENT

My thanks go to the Almighty God for granting me continued good health and the peace necessary to undertake the project. Special thanks go to my supervisor for his positive input in ensuring a quality document.

I also wish to thank all my lecturers throughout the programme period for the solid foundation and to all my classmates for the pleasant moments.

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ABSTRACT

Innovation is management discipline, which focuses on the organization's mission, searches for unique opportunities, determines whether they fit the organization's strategic direction, defines the measures for success, and continually reassesses opportunities (Gaynor, 2002). Gaynor (2002) commented that innovation does not require genius, but it does require a system-wide dedication to pursue unique opportunities. Drucker (1998) is very explicit in stating that innovation is work rather than genius, successful innovation requires hard, focused, and purposeful work. This study sought to establish innovative strategies adopted by equity bank, to determine organizational and technological factors affecting adoption of innovative strategies at equity bank and to establish the Challenges and key success factors to adoption of innovative strategies at equity bank.

The study used a case study design. This was because study seeks to identify the innovative strategies at Equity Bank, a case study design was deemed the best design to fulfill the objectives of the study. primary data was collected using an interview guide and the respondents targeted were senior managers and heads of finance, risk management, information technology , operations, human resources, marketing, product developemnet ,treasury ,admisration , communications ,Credit ,alternative delivery channels ,compliance and audit,special projects and trade finanace departments. Data was then analysed useng content analysis.

From the findings, the study found that for Equity Bank to improve its performance, it adopted some innovative strategies use of technology to break geographical barriers [ATM, Points of Sale, Eazy24/7, Agency model –HSNP], use of staff who understand culture, language and values of the people they serve to break cultural and language barrier [posting staff to their native areas], creating and nurturing strong customer tailored products, environmental analysis and response to changes, aggressive marketing campaign ,creating loyalty of the stakeholders and leveraging on technology to create innovative delivery channels.

The bank also faced some challenges in adopting these innovation strategies but the bank had some coping strategies to these challenges. Therefore the study recommends that for successful adoption of innovation strategies in Equity bank, the bank should ensure that the top management fully supports the adoption of the strategies, the staff should also be encouraged and the benefits of innovation strategies should be made clear to all staff, the bank should invest in regular training of its staff so that they can offer the best services to the customers and also so that they can possess the necessary knowledge and skills for the adoption of innovation strategies and also there should be co-operation between the seniors and the general staff and also between the departments for successful adoption of innovation strategies in the bank.

CHAPTER ONE: INTRODUCTION

Background of the study

This chapter introduces innovation concept ,the kenyan banking industry and background on Equity bank

1.1.1 Concept of innovation

Innovation is an ambiguous concept, attracting multiple and often conflicting definitions, and conveying different things to different people both in the literature and in organisations (Lees, 1992). Storey (1989a, 1989b) suggests that the conceptualizations about what innovation is, is closely wrapped up with what it is for, because, clearly, it is not an end in itself. Hence, to a large extent, conceptualizations have to be inferred from treatments of its objectives. Traditional definitions tended to place emphasis on conscious intent as an elemental feature, emphasizing the formal, planned and deliberate aspects of the innovation process. More contemporary definitions see innovation as generic, encompassing both education and training, formal and informal processes.

An organisation which is serious about competing in fast changing markets with fast changing technology must make things happen it must innovate. If it does not innovate it risks being overtaken by competitors. Sometimes a business underestimates the competitive challenges it faces. The risk of this happening is high when competitors react to potential challenges in much the same way.

The ability to innovate is increasingly viewed as the single most important factor in developing and sustaining competitive advantage (Tidd, 2001). It is no longer adequate to do things better; it's about "doing new and better things" (Slater and Narver, 1995). Much emphasis has been placed on building innovative organisations and the management of the innovation process, as essential elements of organisational survival (Brown, 1997). Bessant and Francis (1998) suggest that effective innovation must involve all areas of a bank with the potential to affect every discipline and process (McAdam, 2000). Innovation can be transformational, radical or incremental depending on the effect and nature of the change. Afuah (1998) suggests that innovations do not have to be breakthroughs or paradigm shifting, however Kim and Mauborgne (1999) maintain that organisations should strive for the larger innovations

Referring to the "process of innovation" helps to focus the study of innovation strategies by banks. Raymond et al. (1998) shows that procession approaches to change implementation can be used with equal validity in banks. Leonard-Barton (1995) states that the process of innovation requires ongoing maintenance and renewal because the capability to innovate is much easier lost than it is to acquire. Furthermore, the implementation of innovation strategies requires a supportive organisational structure. According to Meyer (1996) and Tidd et al. (2001), an organisation structure must be designed to support innovation strategies. This structural issue is important in banks where a manager may have an all pervasive influence (Choueke and Armstrong, 1998). Tidd (2001) suggests that the most innovative organisations tend to be those that develop the most suitable fit between structure, operating contingencies and flexibility.

To develop an effective innovation process, banks managers need to focus not only on products, technology and processes, but also on the culture of the organisation, its norms, values and beliefs (Gunasekaran, 1996). There is a need to develop a climate that is conducive to creativity (Ahmed, 1998), with a strong external focus on multiple stakeholders (Cagliano , 2001). The need to understand user needs (Rothwell, 1992) and the importance of culture (Ekvall, 1999) are also consistent themes in the literature. The attention of practitioners and academics have for many years been preoccupied with the quality movement in banks, focusing on product and process improvements through an evolutionary incremental process (Ghobadian and Gallear, 1996).

In today's global and dynamic competitive environment, product innovation is becoming more and more relevant, mainly as a result of three major trends: intense international competition, fragmented and demanding markets, and diverse and rapidly changing technologies (Wheelwright and Clark, 1992). Firms that offer products that are adapted to the needs and wants of target customers and that market them faster and more efficiently than their competitors are in a better position to create a sustainable competitive advantage (Prahalad and Hamel, 1990, Amit and Schoemaker, 1993; Nonaka and Takeuchi, 1995, Calantone, 1995). Competitive advantage is increasingly derived from knowledge and technological skills and experience in the creation of new products (Teece, 1997; Tidd , 1997).

1.1.2 Kenya Banking Industry

The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), govern the Banking industry in Kenya. There are forty-six banks and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. Six of the major banks are listed on the Nairobi Stock Exchange. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking.

The Kenyan Banking sector has demonstrated a solid growth over the past few years. The industry continues to offer significant profit opportunities for the major participants. Profit after tax of the overall banking system increased by 38.61%, or Kshs 5.08 billion, from Kshs 13.15 billion in December 2005 to Kshs 18.22 billion in December 2006. This growth is a continuation of the strong growth in profit after taxes that the industry has achieved for the past several years. (The Kenyan Banking Sector Report ,2007).

Key issues affecting the banking industry in Kenya include ,changes in the regulatory framework, where liberalization exists but the market still continues to be restrictive, declining interest margins due to customer pressure leading to mergers and reorganizations, increased demand for non-traditional services including the automation of a large number of services and a move towards emphasis on the customer rather than the product and introduction of non-traditional players, who now offer financial services products.

Among the key trends is what appears to be the strong emergence of technology driven banking services in Kenya. Banking is edging away from over reliance on traditional banking halls to other platforms supported by technology and in particular telecommunications. This is emerging as threat to the banks because it has enabled non bank competitors like safaricom short circuit banks by offering cheap money transfer . (The Kenyan Banking Sector Report ,2007).

There is also an emerging strategy of the banks trying to curve out underexploited but potentially viable niches like mortgage financing,Islamic banking ,SME banking among others. The distinction between the traditionally big banks and small banks is somewhat fading as far as product offering is concerned.

1.1.4 Equity Bank

Equity Bank started its operations in 1984 as Equity Building Society (EBS). Its establishment was motivated by the desire to create a financial service provider which would meet the needs of the majority of the Kenyan population. The need to come up with the institution was out of the realization that most Kenyans lacked access to financial services or simply could not afford them. The initial focus was to offer mortgage services but in the mid 1990's EBS changed its business focus to micro finance services.(http://www.equitybank.co.ke)

Equity Bank experienced difficult financial times in the early 1990s and in 1993 almost faced liquidation by Central Bank of Kenya (CBK). However, due to the Bank's (then EBS) laudable record of creating affordable and easy access of financial services by ordinary Kenyans, CBK opted to apply rational judgment to allow EBS re-invents itself.

Equity Building Society therefore grabbed the opportunity extended by CBK, and eventually made a mission drift from mortgages provision to microfinance in 1994. For over 16 years, Equity Bank survived the difficulties of a manual system until June 2000 when it launched a computerized management information system. This change contributed to an increase in productivity and an expansion of the portfolio. To support the expansive growth the bank has invested heavily in its ICT platform in order to leverage on this strong platform to host other delivery channels and deliver efficient services to its customers (http://www.equitybank.co.ke)

Equity Bank converted from a building society to a fully fledged commercial bank on December 31, 2004. Since then, the Bank has grown at a high rate and expanded its business volume. In August 2006, Equity Bank Limited listed on the Nairobi Stock Exchange (NSE). With more than 4 million accounts, Equity is home to over 48% of all bank accounts in Kenya, making it the largest bank in the region in terms of customer base. The solidness of Equity bank is underpinned by its massive shareholder fund base of over Kshs 17 billion complemented by an additional Kshs 7 billion of subordinated tier two capital. (http://www.equitybank.co.ke)

The bank is credited for taking banking services to the people through its accessible, affordable and flexible service provision In 2007 and 2008 consecutively, Equity was named the Best Bank in Kenya by Euromoney Awards for Excellence. Equity is also the holder of the 2007 Global Vision Award in Microfinance "for initiating concepts of the future that will shape the Global Economy". (http://www.equitybank.co.ke)

Equity offers financial services through its over 100 licensed and still growing countrywide branch network and still growing supported by Alternate Delivery Channels which include 700 Visa branded ATM's 2500 Points of Sale (POS).It also offers Cash back services in all leading Super markets as well as internet and mobile banking. The Bank runs on a Global Robust State of the Art Information Technology Computer System supported by Infosys, HP, Oracle and Microsoft (http://www.equitybank.co.ke)

Recently the bank has embarked on regional expansion and has started its operations both in Sudan and Uganda Equity bank committed itself towards human resource department by engaging in staff training, Recruiting professionals and sourcing experienced staff from the industry There is no doubt today that the bank is a leader in the Retail banking sector in the country and its giving competitors a run for their money. (http://www.equitybank.co.ke)

1.2 Statement of the Problem

Innovation is management discipline, which focuses on the organization's mission, searches for unique opportunities, determines whether they fit the organization's strategic direction, defines the measures for success, and continually reassesses opportunities (Gaynor, 2002). Gaynor (2002) commented that innovation does not require genius, but it does require a system-wide dedication to pursue unique opportunities. Drucker (1998) is very explicit in stating that innovation is work rather than genius; successful innovation requires hard, focused, and purposeful work.

Markets are changing all the time. It does depend on the type of product the business produces, however a business needs to react or lose customers. Commercial banks often attempt to benchmark competitors or related service industries to improve new product development (NPD) and other key business processes. The banking sector can hardly be regarded as a model of innovation. Indeed, its tradition, probity, and established ways of doing business have been a source of pride to the sector.

The process of innovation in banks can incorporate both incremental and radical change. Incremental innovation produces small continual changes and is often visible in organisations in the form of continuous improvement (Bessant and Francis, 1999) or TQM (Bessant and Caffyn, 1997).

Many banks have at some point undertaken some form of incremental innovative initiatives. Some of these banks consider that the cumulative gains in efficiency are much greater over time than those, which come from occasional radical changes (Raymond, 1998). However, many of these short- and medium-term gains are quickly eroded and absorbed into the industry standard (Hamel, 2000) and therefore cannot be depended upon as a prerequisite for survival and growth. Banks innovation pioneer Lewis (Lewis and Lytton, 1997) suggests that his company, practice both incremental and radical innovation. In this bank periods of incremental innovation are interspersed when necessary with radical and transformational change

Following the background of this study, it is only those organisations that are able to adapt to the changing environment and adopt new ideas and ways of doing business that can be guaranteed hope of survival. Some of the forces of change that have greatly influenced the Equity bank, include intense competition, regulation, and technological advancement

Strategic management in the banking sector demand that banks should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved through innovations like differentiation of products and services they provide so as to be at par with competition.

Thomson et al. (1997) argue that attempts have been made to articulate links between innovation and organisation strategy, but with limited success. They argue that there is an absence of a coherent model or theoretical framework to identify the existence of causal relationships. This leaves a gap on the effectiveness of innovation strategies which the study is seeking to fill.

Locally, there are many studies that have been carried out on Equity Bank e.g. Chege (2008) carried out a study on compeititve strategies adopted by Equity Bank limited, Gitonga (2008) studied response strategies of Equity Bank Ltd to competition in the kenyan banking industry, Kibe (2008) conducted a study on strategy implementation at Equity Bank Limited while Mmbihi (2008) did a study on the roles played by stakeholders in implementation of information systems: a case of Equity Bank in nairobi. None of these researchers focused on the innovation starategies and their impact on the performance of equity bank. Nevertheless the researcher sought to estabilsh the innovation strategies adopted at Equity bank.

1.3 Objectives of the Study

To determine innovative strategies adopted by equity bank

1.4 Importance of the Study

This study is important to the Equity bank as it would be able to know what innovation strategies to use in order to remain competitive and effective in the banking industry

The results of this study would also be invaluable to researchers and scholars, as it will form a basis for further research. The students and academics will use this study as a basis for discussions on the innovative strategies adopted by banking industry in Kenya

The industry regulator in Kenya, would also find the results of this study very invaluable, as it will be able to ascertain the extent of competition in the industry and the innovation strategies that mitigate the effect of such competition to an individual firm and as so determine whether such strategies adopted in the industry conform to the guidelines provided for the industry by the government.

CHAPTER TWO: LITERATURE REVIEW

2.1 Originality of Innovation

There are numerous definitions of innovation in the literature, however, most definitions share common themes relating to knowledge, which may be turned into new products, processes and services to improve competitive advantage and meet customers' changing needs (Nystrom, 1990). Carnegie and Butlin (1993) define innovation as "something that is new or improved done by an enterprise to create significantly added value either directly for the enterprise or directly for its customer." Livingstone et al. (1998) refer to innovation as "new products or processes that increase value, including anything from patents and newly developed products to creative uses of information and effective human resource management systems".

Literature continually advocates that evaluation is a necessary process to establish whether innovation has been effective in meeting individual and organizational priorities. This enables judgments to be made, about cost effectiveness and to aid organizational learning and improvement. Despite innovation absorbing real and substantial costs, and considering Beddowes (1994) conclusion that the clarity of organizational objectives in terms of innovation has led to an increased emphasis on the evaluation of return on investment, Doyle (1994) observes that systematic evaluation rarely occurs within organisations. Making causal connections between investment in innovation, and future management performance and organisation success is externally difficult. Easterby-Smith (1994) and Constable and McCormick (1987) highlight the difficulty in establishing a statistical link between the incidence of innovation and company performance. Similarly, Rae (1986) found that the literature tends to focus heavily on training and education, and is primarily concerned with measuring the inputs, process and immediate outcomes rather than the longer-term impact of innovation.

Chandler,(1990) indicates that some innovations are built on existing products, services, or procedures, and are incremental in nature. Others involve greater degrees of difference and are more radical than incremental. Some innovators aim to be first, others aim for second place. He adds that a different dimension of innovations is the degree to which they imitate something already familiar.

Griffin (1997) and Cooper et al. (1999) recognizes the importance of having a clearly defined new product strategy guiding the innovation process. Innovation strategy provides a clear direction and focuses the effort of the entire organization on a common innovation goal. Management needs to develop the strategy and communicate the role of innovation within a company, decide how to use technology and drive performance improvements through the use of appropriate performance indicators. Oke (2002) indicates that the first step in formulating an innovation strategy is to define what innovation means to the firm or the areas of focus in terms of innovation. By understanding the drivers of innovation needs, a firm can develop its focus on areas for innovation. The innovation strategy needs to specify how the importance of innovation will be communicated to employees to achieve their buy-in and must explicitly reflect the importance that management places on innovation. Kuczmarski and Associates (1994) argues that more successful firms had more tangible and visible signs of management commitment to new product development especially in terms of providing adequate funding and resources, than less successful firms. A Mercer Management Consulting (1994) study also reveals that the management of high performing companies was visibly and tangibly committed to new product development and explicitly formulated and communicated the firm's new product development strategy.

The middle portion of the framework, creativity and ideas management, selection and portfolio management and implementation management, comprises the processes necessary for carrying out or developing an innovation. The process used in carrying out an innovation task requires an understanding of how firms manage the process of developing new products and services. Development includes the process of generating, selecting, and transforming ideas into commercially viable products and services. Several studies suggest that firms with high performance in innovation usually have a formal process for developing new products and services (Shaw et al., 2001).

This formal process includes creativity and ideas management, selection and portfolio management and implementation management. Creativity and ideas management is the stimulation of ideas addressing customer requirements. The scope of ideas should be wide and all employees should be involved and ideas from customers cultivated. Selection and portfolio management provides an efficient means to select from the many ideas generated and choose the best ideas for implementation. Implementation is the fundamental capability to turn new ideas. The Human resource management element of the framework deals mainly with people and organization climate issues: the underlying impetus of innovation management is the need to create an environment where employees are motivated to contribute to innovation. An effective human resource policy that supports innovation and encourages the development of an innovative organization is needed. O'Reilly and Tushman (1997) suggest that firms should focus on norms that support creativity and implementation in order to build an innovative culture. Rewarding employees for their innovation effort is one way to build an innovative culture. Studies have confirmed that the type of reward mechanisms that best practice firms offer to their employees have been based on financial and non-financial rewards (Feldman, 1996).

2.2 Types of innovation

2.2.1 Product innovation

Product innovation provides the most obvious means for generating revenues. Process innovation, on the other hand, provides the means for safeguarding and improving quality and also for saving costs. Improved and radically changed products are regarded as particularly important for long-term business growth (Hart, 1996). The power of product innovation in helping companies retain and grow competitive position is indisputable. Products have to be updated and completely renewed for retaining strong market presence.

Different terminologies have been used to categorise and describe product development. Crawford (1983), for example, embraces two distinct activities: old product development, which involves updating and improving existing products, and new product development, which

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involves a greater degree of innovational challenge. Meyer (1984) similarly categorised product development into primary and secondary innovations. Primary innovations were broadly concerned with the development of new markets and relate to instances where there is a high degree of technical originality and a commensurate change in consumer behaviour. Secondary innovations, on the other hand, are basically business or company focused and typically involve improvements to an existing market.

2.2.2 Process innovation

Process innovation embraces quality function deployment and business process reengineering (Cumming, 1998). It is a type of innovation, which is not easy, but its purpose is now well understood. An efficient supplier who keeps working on productivity gains can expect, over time, to develop products that offer the same performance at a lower cost. Such cost reductions may, or may not, be passed on to customers in the form of lower prices. Process innovation is important in both the supply of the core product as well as in the support part of any offer. Both components of an offer require quality standards to be met and maintained. In the case of services, which by their very nature rely on personal interactions to achieve results, the management of process innovation is a particularly challenging activity (Johne and Storey, 1998).

2.2.3 Market innovation

Market innovation is concerned with improving the mix of target markets and how chosen markets are best served. Its purpose is to identify better (new) potential markets; and better (new) ways to serve target markets. We deal first with the identification of potential markets. Identification is achieved through skilful market segmentation. Market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. Incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread.

It is the prime responsibility of marketing specialists to provide such insights. Sometimes this responsibility is seen to cover solely the identification of present and likely future geographical market opportunities Geography is, however, only one simple way for segmenting markets. A very wide range of possible criteria exists for segmenting, stretching from objective criteria based on demographic data through to subjective criteria based on life style interpretations of consumer and business buying behaviour.

In recent years, "benefit segmentation" has become more widely used (Hooley et al., 1998). It is based on the study of buyers' attitudes, on the assumption that in great measure it is needs and benefits which make up markets and which alter markets. In this form of segmentation emphasis is on "usage occasions", namely how buyers seek to gain benefits in particular buying situations. This form of segmentation is particularly powerful for dividing a total potential market into meaningful market opportunities. Its power derives from being predicated on the assumption that the same individual buyer can have different usage needs for the same core product. This happens quite frequently in practice

2.3 Stimulus for Innovation

According to Lieberman and Montgomery, (1988), inventions are, by definition, only introduced by one firm, or at most by a small handful of firms that bring a new product or service to market simultaneously. They add that companies that attempt to introduce an invention should logically stand to gain some substantial advantage, because there is a real risk of coming late to the finish line and gaining no prize. Companies that succeed in commercializing an invention are sometimes known as first movers. There are three basic types of advantages that can go to first movers.

If an invention involves proprietary technology then the first firm to obtain the patent or copyright wins the exclusive right to market the product. The lack of competition can be a definite strategic advantage (Gilbert, 1993).

Chandler, (1990) states that preemption of scarce assets can sometimes provide an advantage to one or a few first movers that will not be available to those that adopt the innovation later. According to Rogers, (1983), the creation of buyer switching costs can also provide an advantage to one or a few first movers that are denied to followers. Firms seeking to gain one or another of these advantages are sometimes referred to as first movers. Those that do not aim for invention, but innovate by adopting an invention that appears to be a winner, can be said to be late movers. Even if an innovation is clearly incremental rather than radical, the first mover is introducing or seeking change to a greater degree than the late mover, who waits until an invention no longer seems new to the market or the industry before adopting it (Tushman and Anderson, 1986).

Second movers are firms that do not aim for invention, but anticipate a key point at which advantages that are not available to inventors will be up for grabs. These advantages might consist of market knowledge or resolution of technological uncertainty. Innovators in this category are not so much reactive or defensive as they are opportunists who identify the point of opportunity as some time later than invention (Tushman and Anderson, 1986).

Rogers, (1990) argues that first movers are those aiming for invention they clearly break new ground. Inventions, because no other firm has yet introduced them, seem different and new. Second movers are still aiming for relatively early introduction, and tend to be closer to the first mover than the late mover end of the continuum. Late movers, who introduce an innovation because many competitors already have it and who will lose sales unless they introduce one too, are obviously toward the late end of the continuum. Furthermore, the degree of technological imitation or invention is sometimes very different from the impact of an innovation.

Technologically imitative innovations can sometimes have truly inventive effects; conversely, innovations that require highly inventive technology can sometimes bring about very little perceived change. The technology required to design and mass-produce each new generation of computer chips is complex and very expensive. To the average user, the new chip makes computers operate a little faster, but if the user limits his or her work to word processing and relatively simple spreadsheets, the difference may not even be noticed (Tushman and Anderson, 1986)

In determining whether a given innovation fits better with one kind of innovation strategy than another, both the technological and the customer perception aspects must be taken into account. Innovations that are technologically inventive generally require more time and effort to develop than those that are technologically imitative. Innovations that are perceived as imitative by the customer lend themselves to perceptions of stability, whereas those seen by the customer as inventive foster a perception of change (Nelson, 1993)

2.4 Developing innovation capabilities

In implementing and developing the process of innovation there is no definitive path that can be embarked upon (Bessant and Caffyn, 1997). However, there are similarities in the literature on the key elements that can affect the process. Based on a review of the literature, and the author's collective experiences in innovation in banks, three key recurring themes are discussed as affecting the implementation of the process of innovation in banks.

2.4.1 Innovation culture

In order to bring about any kind of significant innovation implementation, managers must take account of cultural fit. Changing a culture is difficult and requires a great deal of time and effort. Beer et al. (1993) argued that the way to bring about innovation based change is to first change behaviour, which will consequently lead to desired changes in attitudes and values. Schmidt (1990) argues that culture and cultural fit are more important in banks than other organizations because a bank is likely to be entirely enveloped in a culture, rather than large organizations, where several cultures may be present.

A study by McAdam and McClelland (2002) on the link between the culture of continuous improvement and that of innovation in banks found a strong correlation between the two factors. Francis (2000) argues that continuous improvement is a workplace innovation that should be concerned with seizing unexplored opportunities as much as solving existing problems. These studies would appear to suggest that a quality culture is a key enabler in the development of a process of innovation management. Any such culture must encourage empowerment (Vossen, 1999), where the manager assume the role of facilitators in encouraging employee participation (Culkin and Smith, 2000).

2.4.2 Innovation technology

Rycroft and Kash (1999) claim that innovation requires a process of co-evolution between technology and cultural perspectives. Technology exerts a significant influence on the ability to innovate and is viewed both as a major source of competitive advantage and of new product innovation (Gunasekaran et al., 1996; Porter, 1990). Often, banks experience problems in this area, which are caused by lack of capital expenditure on technology and insufficient expertise to use the technology to its maximum effectiveness (Alstrup, 2000).

Hammer (1990) stresses that organisations should "obliterate rather than automate" believing that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. However, banks traditional lack of resources usually results in a compromise situation (Vossen, 1999). It is important to link technology to innovation in sustaining competitiveness. Organisations that can combine customer value innovation (Kim and Mauborgne, 1999) with technology innovation have an increased chance of enjoying sustainable growth and profit

2.4.3 Innovation and leadership

Implementing and developing the innovation process requires energy to overcome the resistance to change. Therefore, it is essential that visionary and committed leadership provide the energy to overcome this resistance. Leaders in an innovative role must be competent and knowledgeable about their work, and must also excel at inspiring employees (Higgins, 1995).

Kakabadse and Kakabadse's (1998) studies revealed that the best leaders were those who were with the organisation in a senior position for a considerable number of years and were predominately outwardly looking in nature. This factor is important for banks with scarce management resources. Moreover, existing managers in banks are less likely to spend time benchmarking other organisations in regard to leadership and innovation (Raymond et al., 1998).

2.5 Innovation Strategy

Strategy is a deliberate search for a plan of action that will develop a business's competitive advantage and compound it. For any company, the search is an iterative process that begins with recognition of where you are now and what you have now. The differences between a firm and its competitors are the basis of its advantage. If a firm is in business and is self-supporting, then it already has some kind of advantage, no matter how small or subtle. The objective is to enlarge the scope of the advantage, which can only happen at some other firm's expense (Clayton, 1997).

Strategic response to competitive environment is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives amid the competitors' existence. It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Strategic management comes in handy and combines the activities of the various functional areas of a business to achieve organizational objectives. It is the highest level of managerial activity, usually formulated by the Board of directors and performed by the organization's Chief Executive Officer (CEO) and executive team. Strategic management provides overall direction` to the enterprise and is closely related to the field of Organization Studies.

"Strategic management is an ongoing process that assesses the business and the industries in which the company is involved, assesses its competitors and sets goals and strategies to meet all existing and potential competitors. It then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment''(Lamb, 1984).

Strategic management is a combination of three main processes namely strategy formulation, strategy implementation and strategy evaluation. On the same note, strategy development is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. Whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers, to contemporary fads, and to wishful thinking (Henry, 1978).

According to Collis et al, (1995) concepts, theories, and analytic frameworks are not alternatives or substitutes for experience, commitment, and creativity. They provide useful frames for organizing and assessing the vast amount of information available on the firm and its environment and for guiding decisions, and may even act to stimulate rather than repress creativity and innovation. The benefit of strategy is not just offering simplification and consistency to decision making, but the identification of strategy as the commonality and unity of all the enterprises decisions also permits the application of powerful analytical tools to help companies create and redirect their strategies. Strategy helps firms establish long-term direction in its development and behavior (Gary and Prahalad, 1993).

Equally important, a strategy serves as a vehicle for achieving consistent decision making across different departments and individuals. Hamel and Prahalad (1989) views organizations as composed of many individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination, it requires that the strategy process acts as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning processes of large companies. The shift of responsibility of strategic planning from corporate planning departments to line managers and the increased emphasis on discussion the businesses and the corporate headquarters (as opposed to the formal approval of written plans) are part of this increased emphasis on strategic planning as a process for achieving coordination and consensus within companies(Buzzell and Gale, 1989).

2.6 Innovation Strategies and Technology

If management skills and activities are conceptualized to be situation specific and embedded in the organisations in which they are practiced then the question arises about what is the best way to prepare managers for the "complexity, uncertainty, uniqueness and value conflicts" which Schon (1988) postulates characterize organizational environments.

A number of issues merit attention when discussing management development strategies. McClelland (1994) observes that management development is now viewed as one of the key organizational processes aimed at delivering successful organizational adaptation and renewal. However, Fulmer (1992) cautions that success will only occur if management development strategies are adapted and implemented in ways that are congruent with the changing needs and expectations of the new organisation. Storey (1990) is critical of the management development literature for propounding "universal nostrums" without "due regard for context" because it is context which shapes and influences the way development is formulated and enacted.

Contingency theorists take issue with the assumption that the search is for best practice, and instead seek to identify sets of variables which will make appropriate a particular type of management development strategy from a repertoire of possibilities. Climate mainly influences organizational structure appropriate pattern.

Ashton et al. (1975) suggest that the organizational climate mainly influences what occurs in management development, though organizational structure and technology significantly determine the most appropriate pattern

Margerison (1991) cautions that management development may fail if there is no clear policy statement. Doyle (1994) lists a number of guidelines when preparing such a policy. These guidelines generally emphasize a holistic approach which links to the reality of what managers do, take cognisance of required competencies and characteristics, consider organizational culture and context; focus on linkages with business strategies and policies; and map out the cultural philosophy of management. The policy should also ensure flexibility so that both organizational and individual needs can be accommodated.

Mumford (1993) classified three approaches to management development which similarly have significant implications for management development strategy and which reflect particular sets of organizational contingencies.

Burgoyne (1988) likewise argues that management development can be conceptualized as progression through different levels of maturity, a progression that can only take place in the context of a holistic approach to management development in which both "hard" and "soft" managerial issues are considered in framing the right strategy.

A systems perspective, as advocated by Doyle (1994) views management development in terms of an integral part of a wider organizational system, and linked to the context and reality of managerial work. A systems perspective reveals the synthesizing, relational and integrative qualities of an organisation and fosters an awareness of the complex interactions and patterns of causal relationships that exist both internally and external to the organisation (Morgan, 1986). Such a perspective leads to the conclusion that management development is at one and the same time both a system and a process, and as an open system, it interacts dynamically with variables from other environmental and organizational subsystems, activities and processes.

A systems perspective leads to the development of a broader set of strategies, policies and plans; it permits the notion of organisation development through management development; it encourages productivity and responsiveness; it leads to a better assessment of performance and overall programme effectiveness; and it contributes to the creation of a positive learning culture enabling the encompassing of generative learning. In framing management development within a more holistic perspective, systems thinking extends its context beyond the rational-functional to include qualitative dimensions, and produces new insights which themselves challenge some of the fundamental assumptions on which existing conceptions of management development activity and strategy are premised.

Management development is perhaps best conceptualized as an open system consisting of an assemblage of interrelated elements directed towards common goals (Doyle, 1994). The process is then neither fragmented nor piecemeal, but integrated, congruent and supportive of organizational goals (Hitt, 1987). Inherent in a systems model is the existence of a coherent and supportive infrastructure, with management recruitment, selection, reward and promotion considerations all feature as core inputs. Hitt (1987) advocates a unified approach to management development which sees it located at the very heart of the organization's philosophy, mission, business goals, and HR strategy, in a process that is coherent and integrated across all functions and hierarchies, so that effective management of the enterprise and development of managerial talent are a single integrated activity.

2.7 Innovation and performance

Innovation is a key element in corporate strategy and firm-level performance (Kay, 1993). An innovation can introduce scarce, high value-added products and the individual firm can reap super-normal profits from its introduction. It allows the firm to develop new products and exploit new markets; in addition, it can allow the firm to improve its cost base and increase profit margins without increasing its price. Innovation and new product development are crucial sources of competitive advantage (Hamel and Prahalad, 1994)

Quinn et al. (1997, p. 506) states that "... developing streams of innovation, building ambidextrous organizations, the role of the senior management team in building and integrating this diversity, and senior management's role in managing large system change associated with strategic innovation, these are all crucial competencies for sustained improved performance; for building from today's to tomorrow's competitive strength".

Many industrial and sectional analyses reveal large differences in productivity, innovative capacity and business performance between firms in the same industry (Prais et al., 1989; Mason et al., 1994) There are linkages between innovation and organizational research (Hamel and Prahalad, 1994, Tushman and Anderson, 1986).

Many innovative organisations have the capacity to "reverse engineer" products and derive technological intelligence from a variety of informal networks, particularly of users and suppliers (Foray, 1991). Indeed, successful incremental innovation depends on the intensity of the interaction with future users (Freeman, 1994). It is essential to develop matching processes that link technical knowledge and emerging technologies with market and exploitable opportunities because companies that introduce new technologies need to create and exploit a new market (Bell and Pavitt, 1992). Rogers (1982) ascribes Silicon Valley's success in high-technology industry to the non-market mechanisms used to exchange information. These non-market mechanisms range from informal personal networks, mobile experts, second sourcing, imitation, and strategic alliances and joint ventures between firms (Mandeville, 1998). Another issue is the "tastiness" of knowledge, concerning how codified information and technology are. Mandeville (1998,) argues that highly uncodified information is pure, intangible information It includes both undeveloped ideas, as well as the know-how required to make a technology work. It is best communicated via personal communication between people. In the process of doing things, including the generation of new technology, codified and uncodified information are complementary.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This was a case study design. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behaviour under study. Since this study sought to identify the innovative strategies at Equity Bank, a case study design was deemed the best design to fulfill the objectives of the study.

3.2 Data Collection

In this study, emphasis was given to primary data. The primary data was collected using an interview guide. An interview guide is a set of questions that makes it possible to obtain data required to meet specific objectives of the study (Mugenda and Mugenda, 2003). The respodents were senior managers and heads of finance, risk management, information technology , operations, human resources, marketing, product developemnet ,treasury ,adminisration , communications ,Credit ,alternative delivery channels ,compliance and audit,special projects and trade finanace departments.

3.3 Data Analysis and Presentation

Data collected was purely qualitative and it was analyzed by content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involves observation and detailed description of phenomena that comprise the object of study. The researcher used the data with an aim of presenting the research findings in respect to the innovation strategies and their impact on the performance of equity bank.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the analysis and interpretations of the data from the field.

4.2 Background Information

On the level of education, the study found that most of the respondents had a bachelors degree as their highest level of education. Other levels of education possessed by the repsondenst were masters degree and higher national diploma. The respondents were in departments such as human resource department, marketing, customer care, credit risk management department and accounts departments. These respondents held ranks such as human resource managers, assistant training maangers, marketing managers, customer care attendants and also assistant human resource managers.

4.3 Innovative Strategies by Equity Bank

On the form of Innovative strategies that the firm employ, the study found that the form of innovative strategies employed by the bank revolved around creating and nurturing strong customer tailor made products ,aggressive marketing campaigns ,leveraging on technology to create innovative delivery channels that make banking services easily accessible to the customers , nurturing a strong ,learning and innovative culture, concentrating on unexploited and untapped market (bottom of the economic pyramid),continues improvements and reengineering of business processes .

i) Innovative delivery channels

According to the study the bank focus is to create delivery channels that enable it the customers access the banking services with ease. The bank has therefore developed various innovative delivery strategies as discussed below

Huge Branch net work, where the bank has 114 licensed branches countrywide Equity has pioneered the opening of the branches in the suburbs of the major towns like Kayole, Kawangware, Kariobangi , Ngong , among others Customers do not have to travel to the city to access financial services. The banks now command presence in all key geographical regions in Kenya and the most remote areas in this country like Wajir, Moyale, Marsabit and Isiolo.

Village mobile units- Equity bank has fully integrated the mobile operations into its business model. Mobile units are seen as core to expanding the bank's footprint and customer base. Satellite centre's with suffi cient business volumes can become fixed branches, enabling the mobile unit to take services to new and more remote customers. The project provides commercial banking services to remote rural communities in Kenya These fi nancial services are provided at village satellite centre's, which are mobile banking units attached to existing branches. The units are located at strategic market centres servicing surrounding villages and serve each area once or twice a week on market days. They provide customers with the same financial services as in normal branches, such as deposits and savings, money transfers, and remittance processing and loans. The service helps to reduce congestion in Equity's existing branches, as well as increases the bank's penetration. Mobile customers pay the same rates for their transactions as at branches plus a small fee for the mobile access. The mobile banks consist of an all terrain four-wheel drive vehicles, are manned by 2-3 bank employees who meet customers at designated market places on fixed days each week. Once there, the team serves customers from buildings that have been rented out at the market places. The mobile units use solar power to run a computerized transaction processing system that is directly linked to the home branches via GPS and satellite.

*Hunger safety network agency model-*The Hunger Safety Net Programme contracted FSD-Kenya, together with Equity Bank, to come up with an alternative way of making payments to the northeastern community. Payments are delivered by Equity Bank using modern ICT technologies. This involves the use of biometric technology and smart cards. Equity Bank has set up a net work of agents or traders in rural areas. The bank has extended banking services to beneficiaries and agents. The Agency model involves recruitment and building capacity of traders/ shopkeepers with enough liquidity to pay beneficiaries. Equity Bank provides the bank with two Point of Sale Devices. The machines are linked to the bank central database using two mobile phone SIM cards. Under the machine is the smart card of the agent recording every transaction undertaken? Beneficiaries line up on different dates to collect payments

Cash back services -The bank also developed point of sale terminals that will give its growing customer base, greater accessibility to financial services. The Equity VISA Debit Card, enables customers access Cash back services ; a product that allows the customer to pay for goods and services at various outlets including supermarkets and petrol stations and get cash money at the same time. With ATM card, they can pay for goods or services and request for a Cash back.

EZZY24/7- This is SMS banking that enables the customer to transact through their mobile phones Through this channel they can do transfers, pay utility bills enquire statements request for a mini statements among others

ii) Innovative processes that makes the bank flexible and accessible

Accessible and flexible staff -The bank is also Flexibile and accessibile in that the bank staff are readilyavailable including the manager and a customer can see the manager without prior appointment. This makes the customers feel valued and recognized and there are also flexible requirements to access loan facilities.

Loan processing requirements on securities -The bank also uses non-traditional securities like business assets, household chattels and revenue streams to provide loans. This has allowed its customers to easily access financial services, thereby expanding its market reach.

Affordability of banking services -The bank also provides affordable services to its customers in that there are no ledger fees ,no maintaianice fees ,can withdrawal any amount of money any time

Innovative banking model -The Model of the bank is affordable great outreach "*high volumes large volumes low margins* ". Equity has the lowest/competitive charges in the market for bankers' cheques. There are also no minimum balance requirements and account holders need not have an opening or operating balance. With over 17 million Kenyans currently un-banked, Equity Bank is targeting them with flexible, simple and accessible banking services.

iii) Technological innovations

Internet Banking -Other innovation strategies adopted are on technological innovations. Technological innovation in the retail banking industry has been spurred on by the forces described by Kotler, particularly in terms of new distribution channel systems, such as E banking . This enables the customer conduct any bank transactions anywhere so long us they can access internet

Automation of back office functions - As the industry has provided more ways for consumers to access their accounts, they have added significant costs to each institution. A need to combat these costs resulted in a major cost savings period, where many banks successfully got much of the cost out of the back office. Equity bank cost savings has largely been through back office automation, which is a technological innovation that has recently been completed. Cutting as much as possible in the back office, Equity Bank has realized that the key to profitability is through revenue enhancement.

Call center and customer relationship managemnet system - The bank has established a call center to enable it tap all the feedback from customers.For equity it is no longer customer service but customer experience .The bank strives to offer a "wow "experience to its customers. The bank is also in the process of implementing a customer relatioship managemnet system .The focus is to ensure that its able to understand and serve its csutomer better , cross sell its products within the existing customer base inorder to increase its wallet share and also improve its customer retention levels .

iv) Innovative marketing campaigns

Innovative communication strategy - Equity bank communication strategy is through word of mouth, meda, print, bill boards press release, financial forums among others. The bank strategy is more geared towards giving pride and confidence to its customers .Most of its communication hammers on awards and recognition both locally and internationally and the success of the bank and its customers other than the traditional products and services .The most recent campaign a "member" appeals more to the customers emotions and make them feel that they belong and they are part of the bank.

v) Product development innovations

Fanikisha range of products targeting women -This product is innovative in the sense that it is developed for a specific market niche .Able to address the challenges faced by women in business like lack of business training ,lack of access to credit due to lack of conventional securities like title deed.

Vijana business loan –This product is administered in partnership with the ministry of youth Affairs The product targets the youth, it is characterized by low interest rate, training on business skills, and nontraditional securities

Equity ordinary account – which has made access to the bank very easy as there are no passports required (photos are taken in the banking hall), no account opening balance, no ledger fees, a customer can withdraw any amount and also no account maintenance fee.

The innovative strategies employed by equity bank were very important as they have enabled the bank to attract more customers (equity bank has the most number of customers), to increase profits of the bank, the bank has also been able to retain its customers, the bank has been able to grow very fast and open more branches even outside kenya, increasing customer loyalty, increased breadth and depth of outreach, increased return on investment for stakeholders and also the bank is ahead of competitors as a result of the innovation strategies employed.

The study also revealed that bank management had an effect on the adoption of innovation strategies in the bank. This is because the support and encouragement of top management is considered an essential factor for the development of innovation strategies because the resources required for the implementation of new technologies will be more easily available if the major person responsible for these resources supports the plans Moreover, many initiatives of adopting new technologies require the collaboration and coordination of different departments and divisions and this is easier to manage when such initiatives are endorsed from the top Other respondents also felt that bank management and leadership is the one driving the innovation, bank leaders are at the forefront and able to champion the cause, it also gives direction and ensure the vision and mission of the bank is sustained to achieve desired results, without the top management's support, the process of adopting innovation strategies cannot succeed in the organization.

Organization learning and continuous training have an effect on innovation strategies From the findings, the study found that organizatation learning and training enables each staff to acquire and retain cutting edge knowledge and skills, it enables continuous injection of new ways of doing things necessary under innovative envinment, it makes the process of adopting the innovation strategies more effective and efficient as the staff will have knowledge and skills and also it enables the staff to possess the necessary technology necessary in the innovative environment. To remain on top, the organization invests a lot on training to be able to be more innovative, constant meetings and exposure with the members is critical

From the study, the most important key factors driving Equity bank towards innovative strategy advantage were dynamic leadership and open door policy, collapsable reporting infrastructure – no beurocracies, fairly young staff who can easly adopt new ways of doing things, adoption and use of technology, fly-below-radar approach. Other factors were the corporate philispholies which include the mission and vision of the bank whose theme revolves around transforming lives and livelihoods of the people of Africa, to meet the members financial services, to offer inclusive, customer focused financial services that socially and economically empower clients and other stakcholders, competition from other commercial banks and also in order to gain competitive advantage.

From the study, some of the technological factors affecting adoption of innovative strategies at Equity bank were robust ICT, simple easy to follow and adopt process within the bank and standardization of processes and procedures Other technological factors are such as relative advantage of the technology, complexity, compatibility, cost and image.

According to the study, the most successful innovation strategies in terms of enhancing improved performance at the bank are use of technology to break geographical barriers [ATM, Points of Sale, Eazy24/7, Agency model –HSNP], use of staff who understand culture, language and values of the people they serve to break cultural and language barrier [posting staff to their native areas], creating and nurturing strong customer tailored products, environmental analysis and response to changes, aggressive marketing campaigns and creating loyalty of the stakeholders. Other successful innovation strategies in terms of enhancing improved performance were innovative develivety channels , product development geared towards Women and Youth and use of technology to reach far flung areas that would otherwise not be served financially.

From the study, the effect of new product development as an innovative strategy on performance were that it provides the bank with the ability to address the needs of existing and prospective clients on a continuous basis, it attracts more customers to the banks, it gives the bank a competitive advantage over its competitors and also it helps the bank to enhance its image. New products also have increased customer base, increased profitability, increased staff levels and also new products have increased number of branches.

The study also found that there were some challenges faced by Equity bank in the adoption of innovation strategies. These challenges were flexibility and leway may result to abuse by staff, system overload leading high down time [ATMs during month ends], rapid growth – skills gap among staff other challenges were inadequate awareness and knowledgeable of innovative strategies, high Cost or Too expensive projects, lack of Skills and innovativeness and also resistance from the staff. The respondents were also required to state the possible solutions to the challenges. According to the study, these solutions were such as continuous traing of staff, top management support of the adoption of innovation strategies in the bank, there should be collaboration and coordination of different departments and divisions for easier adoption of the strategies, the bank should provide rewards for innovative employees in order to encourage the adoption of the strategies and to reduce resistsnce by the staff, by encouraging or supporting their employees to learn new technology and by training and educating their employees to become knowledge workers and also the bank should pay more and more attention to innovation in logistics technologies to provide better services for their customers in order to survive in the highly competitive times.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussions, conclusions and recommendations of the study based on the objectives of the study.

5.2 Discussions

From the findings, the study found that there were some innovation strategies adopted by equity bank These innovative strategies were such as use of technology to break geographical barriers [ATM, Points of Sale, Eazy24/7, Agency model –HSNP], use of staff who understand culture, language and values of the people they serve to break cultural and language barrier [posting staff to their native areas], creating and nurturing strong products, environmental analysis and response to changes, aggressive marketing campaigns and creating loyalty of the stakeholders, use of groups lending methodology to provide financial services, product development geared towards Women and Youth and use of technology to reach far flung areas that would otherwise not be served financially, village mobile units to expand the bank's footprint and customer base, hunger safety network agency model in order to come up with an alternative way of making payments to the northeastern community. Other innovative strategies adopted by the bank include; cash back services, provision of affordable services to the customers, internet banking, provision of quality services to the customers, regional expansion and innovative communication strategy. Adoption of innovation strategies have helped the bank to attract more customers (equity bank has the most number of customers), to increase profits of the bank, the bank has also been able to retain its customers, the bank has been able to grow very fast and open more branches even outside kenya, increasing customer loyalty, increased breadth and depth of outreach, increased return on investment for stakeholders and also the bank is ahead of competitors as a result of the innovation strategies employed.

The study also found that the organizational factors affecting adoption of innovative strategies at equity bank were inadequate top management support of innovation strategies, the technology involved, inadequate systems for innovation, lack of commitment of those involved in adopting the innovation strategies, lack of the quality of the systems required for innovation strategies and lack of qualified staff to adopt the innovation strategies in the bank effectively, while the technological factors were robust ICT, simple easy to follow and adopt process within the bank and standardization of processes and procedures, relative advantage of the technology, complexity, compatibility, cost and image.

The study also found that there were some challenges faced by Equity bank in the adoption of innovation strategies. These challenges were flexibility and leway may result to abuse by staff, stystem overload leading high down time [ATMs during month ends], rapid growth – skills gap among staff . other challenges were inadequate awareness and knowledgeable of innovative strategies, high Cost or too expensive projects, lack of Skills and innovativeness and also resistance from the staff. The respondents were also required to state the possible solutions to the challenges.

The key success factors to adoption of innovative strategies at equity bank were continuous traing of staff, top management support of the adoption of innovation strategies in the bank, there should be collaboration and coordination of different departments and divisions for easier adoption of the strategies, the bank should provide rewards for innovative employees in order to encourage the adoption of the strategies and to reduce resistsnce by the staff, by encouraging or supporting their employees to learn new technology and by training and educating their employees to become knowledge workers and also the bank should pay more and more attention to innovation in logistics technologies to provide better services for their customers in order to survive in the highly competitive times.

5.3 Conclusions

From the findings and the discussions, the study concludes that for Equity bank to remain competitive in the market, it has adopted some innovation strategies and the ones that have been very successful in improving performance were use of technology to break geographical barriers [ATM, Points of Sale, Eazy24/7, Agency model –HSNP], use of staff who understand culture, language and values of the people they serve to break cultural and language barrier [posting staff to their native areas], creating and nurturing strong customer taiolored products, environmental analysis and response to changes, aggressive anti-competitors marketing campaigns and creating loyalty of the stakeholders, use of group lending methodology and co guarntee mechanism to provide financial services to women and youth , product development geared towards women and youth and use of technology to reach far flung areas that would otherwise not be served financially.

The study also concludes that the organiztaional factors affecting the adoption of innovation strategies were inadequate systems for innovation, inadequate staff, lack of qualified staff to adopt the innovation strategies in the bank effectively, while the technological factors were robust ICT, simple easy to follow and adopt process within the bank and standardization of processes and procedures, relative advantage of the technology, complexity, compatibility, cost and image.

The challenges that the bank faces in adopting innovative strategies were flexibility and leway which may result to abuse by staff, stystem overload leading high down time [ATMs during month ends], rapid growth – skills gap among staff. Other challenges were inadequate awareness and knowledgeable of innovative strategies, high cost or too expensive projects, lack of Skills and innovativeness and also resistance from the staff.

_4 Recommendation

nplementing and developing the innovation process requires energy to overcome the resistance › change. Therefore, it is essential that visionary and committed leadership provide the energy › overcome this resistance. Leaders in an innovative role must be competent and knowledgeable bout their work, and must also excel at inspiring employees.

nnovation also comes withis its own operational risks and challenges .The study recommends hat the bank should ensure that there are mechanisms and mitigations strategies in place that ould enable it handle any challenges and emeging risks that comes with innovation.

The study also recommends that the bank should ensure that it is able to adopt to the rapidly changing technology and also it should ensure that there is an environment that supports the innovation startegy.

The study also recommends that for successful adoption of innovation strategies in Equity bank, the systems such as ATMs should be added so as to ensure that they are not overloaded and especially during month ends, adequate knowledge and awareness on innovation strategies should be made available to the staff.

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APPENDIX I: LETTER OF INTRODUCTION

TO WHOM IT MAY CONCERN

I am a postgraduate student studying at Nairobi University, currently undertaking a research on innovation starategies adopted by equity bank ltd

Your organization is one of the organisations selected for the study.

I kindly request your assistance, and the information that will be collected is solely for academic purpose and will remain confidential. A copy of the final report will be made available to you at your request.

Your assistance will be highly appreciated.

Yours sincerely,

Elizabeth Gathai

APPENDIX II: INTERVIEW GUIDE

INNOVATION STARATEGIES AND THEIR IMPACT ON THE PERFORMANCE OF EQUITY BANK

PART A: DEMOGRAPHIC INFORMATION

1. Name (optional): ....

2. What level of education have you completed?..

3. Which department do you work at? ....

4. How many years have you been working at your current department?...............

5. Which is your rank in the department...

B. INNOVATIVE STRATEGIES AND THEIR IMPACT ON THE PERFORMANCE

6. What form of Innovative strategies does your firm employ?
7. How often does Equity Bank use these forms of Innovative strategies?
8. What are some of the innovation strategies adopted by Equity Bank?
9. What is the impact of above innovative strategies on Equity Bank.
10. What effect does the bank Management have on adoption of innovative strategies?
11. What effect does organisational learning and continuous training have on innovation strategies?
12. What are the most important key factors in driving your Bank towards a innovative strategy advantage?
13. What are some of the technological factors affecting adoption of innovative strategies at equity bank?

14. What are some of the most successful innovation strategies in terms of enhansing improved performance at the bank?
15. What is the effect of new product development as an innovative strategy on performance?
16. What are the challenges faced by Equity bank in the adoption of innovation strategies?
17. What are some of the possible solutions to the challenges?