APPLICATION OF INNOVATION STRATEGIES BY EAST AFRICAN BREWERIES LIMITED

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DECLARATION

I declare that, this project is my own original work and has not been presented for award of any other degree in any other institution of higher learning.

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SUPERVISORS DECLARATION

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

Signature: ______________________ 7/10/2011

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DEDICATION

I dedicate this research project to my loving wife Leah Wangui and my children Betty Bongo and Tanya Bongo for support and patience during the entire period of my study, for their encouragement and continued prayers towards successful completion of this course.

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ABBREVIATIONS

EABL	East African Breweries Limited
UG	Uganda
UK	United Kingdom
Ltd	Limited
R&D	Research and Development
CEO	Chief Executive Officer
NSE	Nairobi Stock Exchange
TQM	Total Quality Management
NPD	New Product Development
HR	Human Resource
P4G	Partners for Growth
PhD	Doctorate of Philosophy

ABSTRACT

The objective of this study was to establish the application of innovation strategies by EABL. Primary data was collected using self-administered drop and pick interview guide while secondary data was collected by use of desk search techniques from published reports and other documents.Secondary data sources included the company's publications,journals,periodicals and information obtained from the internet. The interview guide was administered to 10 top, middle and low level management staff working at the EABL. The study sampled staff who directly dealt with day to day management of innovation strategies since they were the ones conversant with the application of innovation strategies in the company. A content analysis was employed to analyze the respondents' views about the application of innovation strategies at EABL. The data was then presented in a continuous prose as a qualitative report on the innovation strategies adopted by EABL. The study found that the company attains sustainable competitive advantage through the prolonged benefit of implementing some unique value-creating strategies based on unique combination of internal organizational resources and capabilities that cannot be replicated by competitors. Innovation strategies gave the firm a competitive advantage and with it the superior cash flows that generate value, create and maintain value, based on different environmental dynamics. The study concludes that the company employed much of product, marketing, technological, process and integrated innovation strategies. The study concludes that the factors that affect adoption of innovation are financial factors, organizational structure and cSulture, specialization and complexity, functional differentiation and managerial attitude towards change, slack and technical knowledge resources as well as centralization and formalization. This study recommends that for EABL to earn more profit and increase number of customers, the company should embrace the adoption of innovative strategies. EABL should also strive to ensure product range extension, product replacement, product improvement, product repositioning and new product introduction to enable the company to be more productive, to grow faster, to invest more and also to earn more profit. The study also recommends that the company should address areas that affect adoption of innovation strategies which include financial factors, organizational structure and culture, specialization and complexity, functional differentiation and managerial attitude towards change, slack and technical knowledge resources as well as centralization and formalization. This study also recommends that there should be reliable infrastructure, enough financial resources; and the staff should be equipped with adequate skills and knowledge on the new technology through regular training in order to ensure that they do not resist the adoption of the new technology in the organization.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

An organization which is serious about competing in the 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 importance of the manufacturing sector is growing in both the Western and non-western economies. The differentiating characteristics of services from manufacturing, intangibility, perishability, heterogeneity and simultaneity are at the forefront of the current studies. In response to the growth of the manufacturing sector, academic interest in the application of strategies in companies has also grown (Johnston, 1999).

The ability of manufacturing firms to innovate is increasingly viewed as the single most important factor in developing and sustaining competitive advantage (Tidd et al, 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 organizational survival (Brown, 1997). 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.

Innovation strategies in the brewing industry in Kenya demand that companies 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.

1.1.1 Innovation Strategies

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). Drucker (1985) defined innovation as the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service. It is capable of being presented as a discipline, capable of being learned, and capable of being practiced. Betz (1997) assumed that innovation is to introduce a new or improved product, process, or service into the marketplace. Tidd et al. (1997) defined innovation as a process of turning opportunity into new ideas and putting these into widely used practice. Afuah (1998) proposed that innovation is the use of new technical and administrative knowledge to offer a new product or service to customers. Therefore, innovation is any practices that are new to organizations, including equipments, products, services, processes, policies and projects (Kimberly and Evanisko, 1981). Storey (1998) suggests that the conceptualization about what innovation is, as 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.

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). The term innovation refers to both radical and incremental changes in thinking, things, and processes or in services, (Mckeown and Max, 2008). In many fields, something new must be substantially different to be innovative, not an insignificant change, in the arts, economics, business and government policy. In economics, the change must increase value, customer value, or producer value. The goal of innovation is positive change, to make someone or something better. Innovation leading to increased productivity is the fundamental source of increasing wealth in an economy.

Innovation typically involves creativity, but is not identical to it: innovation involves acting on the creative ideas to make some specific and tangible difference in the domain in which the innovation occurs.) All innovations begin with creative ideas. Thus, innovation is defined as the successful implementation of creative ideas within an organization. In this view, creativity by individuals and teams is a starting point for innovation; the first is necessary but not sufficient condition for the second (Chesbrough and Henry, 2003).

For innovation to occur, something more than the generation of a creative idea or insight is required. The insight must be put into action to make a genuine difference, resulting for example in new or altered business processes within the organization, or changes in the products and services provided. A further characterization of innovation is as an organizational or management process. Davila et al (2006) suggests that, innovation, like many business functions, is a management process that requires specific tools, rules, and discipline.

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) suggested 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 areas for innovation. The importance of having a clearly defined new innovation strategy guiding the innovation process was recognised by Griffin (1997) and Cooper et al. (2003). Innovation strategy provides a clear direction and focuses the effort of the entire organization on a common innovation goal. 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. 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.

Innovation types in mature markets all have an optimizing flavor. They are either leveraging customer intimacy to make the offer a little bit more attractive to the customer or leveraging operational excellence to make it a little bit more profitable to the vendor. There are a number of innovation strategies that are applied in organizations which include product innovation, process innovation, market innovation, technology innovation among others. These types of innovation are distinctive in part because the core offer is not (Gaynor, 2002). That is, in mature markets products per se become increasingly commoditized as more and more vendors meet the same relatively complete design specification.

Product innovation has an additional dimension stemming from the fact that all products participate in a hierarchy of components, products, and systems. That is, every product is both made up of components and is itself a component in some larger sys-tem. So in addition to better performing an existing role in the hierarchy, product innovation can also enable a shift in roles within the stack, either moving down to the component level for more volume or moving up to the system level for more value. Process innovation focuses on improving profit margins by extracting waste not from the offer itself but from the enabling processes that produce it. The goal is to remove non value-adding steps from the work flow. Market innovation focuses on differentiating the interaction with a prospective customer during the purchase process. The goal here is to outsell your competitors rather than out product them (Oakey and Rothwell, 1988).

To develop an effective innovation process, the management needs to focus not only on products, technology and processes, but also on the culture of the organization, its norms, values and beliefs. There is a need to develop a climate that is conducive to creativity (Plessis, 2007), with a strong external focus on multiple stakeholders. The need to understand user needs and the importance of culture 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 (Shaw et al, 2001).

1.1.2 East African Breweries Limited (EABL)

Kenya Breweries was founded in 1922 by two white settlers, George and Charles Hurst. By 1990, most of the shareholders were Kenyan and the company was very successful. Tanzania Breweries had been started by Kenya Breweries in the 1930s. After being nationalized in 1967, Tanzania Breweries was poorly managed. However, in 1993 the Tanzanian government entered into a joint venture with South African Breweries Limited to run Tanzania Breweries. South African Breweries is one of the largest and most efficient brewing companies in the world. They turned Tanzania Breweries around with extraordinary speed, almost tripling production in the space of three years.

In 2002 East African Breweries Limited (EABL) and SABMiller Plc. effected a share swap of their interests in their subsidiaries: Kenya Breweries Limited and Tanzania Breweries Limited. EABL acquired 20% of the equity of Tanzania Breweries. SABMiller Plc. acquired a 20% equity stake in Kenya Breweries.The largest shareholder is Diageo Plc. EABL's primary listing is on the Nairobi Stock Exchange, and is cross-listed on the Uganda Securities Exchange and Dar-es-Salaam Stock Exchanges.

Tusker is the main brand of East African Breweries with over 30% of the Kenyan beer market selling more than 700,000 hectolitres per year. It is a 4.2% abv pale lager. The brand was first marketed in 1923, shortly after an elephant killed the founder of Kenya Breweries Ltd, George Hurst, during a hunting accident. It was in this year that the elephant logo, that is synonymous with Tusker Lager, was incorporated. The slogan Bia Yangu, Nchi Yangu, means My Beer, My Country in Swahili.

In early 2008, the UK supermarket chain Tesco began selling Tusker, followed soon after by Sainsbury's. The company also makes Uganda Waragi, a 40% a by-brand of Waragi and the leading branded distilled beverage in Uganda. It is made from millet, and triple distilled. It is known in Uganda as The Spirit of Uganda, or simply UG. The main markets include other African countries such as Rwanda, the Democratic Republic of Congo and Sudan. In 1965, The

Enguli Act decreed that distillation would only be legal under license, and distillers should sell to the government run Uganda Distilleries Ltd – which produced a branded bottled product, marketed under the name Uganda Waragi.

1.2 Statement of the Problem

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.

The innovation literature has tended to place emphasis on firms' characteristics and factors which lead them to innovativeness or technological progressiveness (Avlonitis et al., 2001). Irrespective of trade sectoral issues, certain characteristics of the firms and particularly the entrepreneurs themselves have been associated with firm growth and development. Dodgson (1991) observed the innovation activities of small firms in Europe, which adopted a pattern of innovation strategy that highly depended on external sources; he contended that external innovation resources claimed for the largest contribution to the formation of a firm's technology competence. Reinhilde and Bruno (1999), judging from the analysis on manufacturing firms in Belgium, asserted that a firm's inclination toward either internal sources or external sources in formulating its innovation strategy, rested directly with the technological conditions of the firm, and most high-tech firms would tend to mainly rely on internal R&D.

East African Breweries has undergone through eras of evolution and business development as a major manufacturer of beer in the East African region. Despite the enhanced human resources management and market positioning strategies adopted by the company in responding to external environment, the beer industry demands for continous development and implementation of innovation strategies. This is the rationale that motivates EABL in its pursuit to conquer the market amid the ever changing environment.

Locally, studies on innovation have been conducted. Odhiambo, (2008) did a survey of innovation strategies at the Standard Chartered Bank (Kenya) Limited. Gitonga, (2003) carried out a research on innovation processes and the perceived role of the CEO in the banking industry. Mwangi (2007) conducted an investigation on factors influencing financial innovation in Kenya's securities market which was a study of firms listed at the NSE, while Kihumba, (2008) investigated the determinants of financial innovation and its effects on banks performance in Kenya. None of the known local or international studies had ever focused on the application of innovation strategies in East African Breweries Limited. This is despite the increased rate of innovations being adopted each and every day to ensure sustained competitiveness in the current drastic and changing external environment. It was in this light that the researcher aimed to fill the existing gap by carrying out a research on application of innovation strategies in the East African Breweries Limited.

1.3 Objectives of the Study

The objectives of this study were:

i. To identify the types of innovation strategies applied at EABL

ii. To establish the process of developing innovation strategies at EABL

iii. To identify the factors that influence development of innovation strategies at EABL

1.4 Value of the Study

The study is invaluable to several stakeholders in the brewery industry including the management of brewery companies, the policy makers as well as the scholars. The management of brewery companies in Kenya will find the results of this study intriguing as a source of information on what competitive strategies are applied in the market and what they need to do in order to be competitive in the market. At the same time, the policy makers will obtain knowledge of the industry dynamics and the responses that are appropriate and specific for EABL; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector. Moreover, the study will provide information to potential and current scholars on strategic management. This will expand their knowledge on innovation strategies and also identify areas of further study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The topics covered here are concept of strategy, concept of innovation, innovation strategies, approaches to innovation strategies, proactive innovation strategies and reactive innovation strategies, application of innovation strategies, process innovation strategies, product innovation strategy, market innovation strategies and finally choosing an innovation strategy.

2.2 Concept of Strategy

A strategy is a long term plan of action designed to achieve a particular goal, most often winning (Thompson et al, 2007). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed.

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).

2.3 Concept of Innovation

Thompson's (1965, p. 2) early and straightforward definition simply states: Innovation is the generation, acceptance and implementation of new ideas, processes products or services. A similar definition of innovation was proposed more recently by West and Anderson (1996) and quoted as recently as 2008 by Wong et al. (2008) innovation can be defined as the effective application of processes and products new to the organization and designed to benefit it and its stakeholders.

Damanpour (1996) provides a detailed definition of innovation, which is much quoted: Innovation is the multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace.

Mueller (1971) is of the opinion that innovation is a vast subject; it means many things, both tangible and intangible; to many people. A new idea, theory, machine, tool, social arrangement, and behavioral pattern all fall under the general subject of innovation. Mueller (1971) points out that while innovation is a natural human activity, it is planned and deliberate. It is also a continuous process, for whenever innovation occurs, change results and those affected by the change must in turn innovate in order to respond. According to Mueller (1971), innovation leads to change which leads to the necessity for further innovation, which again leads to change, a continuity cycle.

Innovativeness refers to a willingness to support creativity and experimentation in introducing new products, becoming technological leaders, and developing new processes. Plessis (2007) notes innovation as the creation of new knowledge and ideas to facilitate new business outcomes, aimed at improving internal business processes and structures and to create market driven products and services. Innovation encompasses both radical and incremental innovation. In technologically related definitions, the main focus is on innovation being a product related to new technology (Nord and Tucker, 1987).

In our case, the definition that guided our research when identifying the cases of innovation studied was as follows: the process of proposal, adoption, development and implementation of a new idea, generated internally, or taken from outside, relating to a product, process, policy, practice or behaviour, programme or service, which is new for the organisation at the time it is introduced and which will benefit the organisation, or society in general.

Innovation can take several forms: in products, services, production processes and management systems. Innovation in products and services is related with R&D and meeting consumers' needs. Innovation with respect to processes relates to changes in machinery and other elements not directly associated with employees and has the aim of increasing productivity (i.e. increasing quality and reducing costs). Innovation in management systems is usually in response to new environmental conditions, and improving the way in which people are managed and work is organised. This form of innovation can become necessary by changes in the process, such as automation and the application of mistake proofing devices as typically described by Shingo (1986).

Miller (1995) suggests there are two types of business innovation: drastic and progressive. The former is the kind of innovation which is proposed by reengineering, while the latter is the type proposed by TQM through continuous improvement.

2.4 Innovation Strategies

An operational business idea is expressed in one or more products/services that are able to fulfill the needs and wants of a group of customers. The business concept is expressed in the value creation process – or competencies – that are the foundation for how the products/services are designed, developed, produced, distributed and marketed. The business system is expressed as the basic principles and procedures by which the persons and/or functions involved in value creation actually work. This is a much broader perception of a business than the traditional SBU definition that is used in traditional portfolio management, mainly in the sense that a business here is able to respond strategically on its own.

Strategic innovation is the ability to create and revitalize the business idea and concept of the company by changing both the market of the company and the competencies and business system of the company. In this way, strategic innovation is concerned with developing the entire company. Evidently, organizations need to be more innovative and think proactively in their strategic management. At least, this has rapidly become the mantra of the new decade both among managers and in academia. The well-known work on innovation management and technology management has gained newfound – or perhaps re-found – respectability and has begun to influence the way we think about strategic management as a discipline (Drejer, 2002).

On top of that a new set of publications has begun to emerge. These publications take their starting-point in the strategic realm rather than the innovation realm and, hence, focus on strategy and innovation or strategic innovation. This and other similar books – and the thinking behind strategic innovation as a concept is based on three pillars (Drejer, 2002). First is the recognition by many that strategic managers need to consider both strategies for tomorrow and strategy for today in order to stay successful over time. This is now state-of-the-art knowledge within the field of strategic management – following the work of people such as Hamel and Prahalad (1994) and the 1996 acknowledgement of Porter (1996) that strategy needs to consider both operational effectiveness and differentiation.

2.5 Development of Innovation Strategies

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. For example cell phones, although allow mobility and provide a radical change in the sense of freedom from phone wires, they are imitative of earlier telephones in function and physical shape.

Personal computers operate on internal principles similar to those used in minicomputers and mainframes. However, individuals without extensive special training can operate the PC, unlike its larger predecessors. It allows direct interaction from nonprofessional users, does not require a special physical environment, and can be found in conveniently portable versions. Thus, in several ways, it is inventive rather than imitative (Chandler, 1990).

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 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.

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. 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).

2.6 Factors Influencing Development of Innovation Strategies

Some companies choose a strategy that involves constant innovation e.g. to be a technological leader. For such firms, the perception of newness, of constant innovation, is critical to carrying out their chosen strategy. Other companies choose a strategy that emphasizes stability, reliability, and a clear implication that the old familiar product or service will be there when the customer wants it. For firms whose marketing strategy is strong on stability, the perception of change may be harmful to the execution of their strategy. This does not mean that they will not or should not entertain any innovation at all. It does mean that they need to favor at least the appearance of stability over change whenever they can (Booz and Hamilton, 1982).

As with each of the three dimensions of innovation, the strategies of most firms fall somewhere along a continuum with regard to innovation. Only a relatively few companies place strong strategic emphasis on innovation and build their self-identity around pride in newness. At the other extreme, most firms do not center their self-identity on sameness and lack of innovation. If the previous discussion of the three dimensions of innovation is basically accurate, then firms can take a stance toward innovation and implement it through judicious selection of new products, services, and procedures (Canals, 1993).

Innovations that are radical, inventive, and early have some characteristics in common. They typically require more planning and effort, and involve higher cost and risk of failure. But they also frequently offer greater rewards and performance improvement if they succeed. The cultures of some companies are much more supportive of such innovations than are the cultures of others. A strategy that favors the development and introduction of innovations with these characteristics might be called proactive (Chandler, 1990).

On the other hand, innovations that are incremental, imitative, and relatively late have different characteristics from those described above. They require the ability to improve on another firm's invention; that is, to deliver a product or service at relatively high volume and low cost, as well as a culture that accepts the position of follower rather than leader in terms of innovation. A strategy that favors the development and introduction of such innovations might be called reactive.

2.7 Proactive and Reactive Innovation Strategies

Proactive innovation strategy depends at least partly for its success on the quality of creative genius. Individuals who have this quality often do not fit well in large bureaucratic organizations. Some companies find and keep such people apparently by chance. However, firms long known for their proactive innovation strategy, and Hewlett Packard, appear to work at creating structures and reward systems that encourage the exercise of creative genius, (Tushman and Anderson, 1988).

Companies that have strongly proactive innovation strategy are rewarded the effort as well as results. The radical, inventive innovation that is introduced early is a relative rarity. It might be compared to the home run in baseball. Batters who try for home runs often strike out, but when they succeed the outcome of the contest is sometimes changed immediately. Proactive innovators must have a tolerance for failure, along with a strong focus on the key innovation that will change the competitive structure of an industry (Chandler, 1990).

The company that practices a proactive innovation strategy cannot be satisfied with all strikeouts. Even though unsuccessful efforts are a partial consequence of this strategy, the company that has too many of them in a row is likely to run out of money and die. Success, in the form of commercial products or services selling at a profit, must be held up as the company's goal, and rewards for successful effort must signal the importance of this goal (Plessis, 2007). According to Porter (1990), companies with a reactive innovation strategy aim to hit many singles. These are easier to achieve than home runs, but each one by itself does not move a team as far. As indicated above, a succession of incremental, imitative, late innovations can have a very dramatic cumulative effect. However, this strategy appears less dynamic than that of the proactive innovator; neither is always and automatically better.

The reactive innovation strategy requires more emphasis on process than product innovation. Because innovations of this type are easier to achieve, reward systems need to emphasize results. Results need to be viewed in terms of commercial success. The culture of reactive innovators tends to be less supportive of creative genius and more congenial to those who progress systematically in a logical fashion (Plessis, 2007). In some ways, reactive innovators need to devote more time and attention to their competitors than do proactive innovators. Because the reactive innovator emphasizes adoption of the inventions of others, there is clearly a need to stay current on what inventions are being introduced, how they are being received, and what factors determine the most opportune time for a late mover to introduce its innovation. Further, imitative innovations require not just awareness but also a detailed understanding of the product or service being imitated (Alam, 2002).

2.8 Application of Innovation Strategies

Application of innovation strategy is based on process innovation strategies, product innovation strategy as well as market innovation. These strategies embrace quality function deployment and business process reengineering, providing the most obvious means for generating revenues and improving the mix of target markets and how chosen markets are best served

2.8.1 Process Innovation Strategies

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).

As customers have become more discerning, and speed-to-market continues to play a crucial role in a wide variety of markets, developing new and innovative products is becoming more and more difficult. The process has been likened to speeding-up a Formula One car, whereby something new is always on the horizon but reaching it gets harder and harder (Junk, 1999). Despite the risks associated with innovation though, we want what it can provide – new products, the potential to create new jobs and new ways of doing business (Kao, 1991). Difficult as it might be, the ability to innovate consistently is more important than ever.

After some four decades of research, it is generally well known that a variety of factors are implicated in innovation success. First, there is a good deal of evidence to support the view that new products success is related to the formalizations of new products processes (Cooper et al, 1999; Cooper, 1993). Though success rates vary, current estimates suggest that around 60 per cent of new products succeed once they are introduced to the marketplace (Griffin, 1997). It is recognised, however, that paying attention to detail can increase the odds by as much as 30 per cent (Burgelman *et al.*, 1996). Achieving a high success rate is suggested to be dependent on not only the number of activities that comprise firms' new products processes, but also how well the activities are carried out, (Cooper, 1993). The most important contributions formal NPD processes are suggested to yield include improved success rates, higher customer satisfaction, and meeting time, quality and cost objectives (Cooper, 1993).

Second, there is also the issue of providing the right environment for innovation. Central to the debate is whether the capacity to innovate is predominantly a personal attribute, or whether it is an emergent property of organizations amenable to systematic management (Leavy, 1997). Taking the view that innovation is endemic within individuals, managers are immediately faced with the dilemma regarding recruitment and channeling talent in a way that is consistent with the organisations goals. Truly creative individuals are not always easy to manage. Alternatively, there are those that are sceptical that such a thing as a distinct entrepreneurial personality exists (Alam, 2002). More important is that organisation forms are flexible so that an appropriate balance between order and freedom is maintained. Ensuring procedures are in place to encourage innovation, whilst also providing a systematic means to manage the new products process through to commercialization is key.

Third, it is hardly surprising that making sure customers' needs act as the prime driver for innovation is deemed to be a critical issue (Foxall, 1989; Fifield, 1998). As originally conceived of, the marketing concept holds that all company activities must be organised around the primary goal of satisfying customers' needs. Organizational structures and procedures reflect a market-orientation, and all personnel are expected to be truly customer-focused. Market-oriented firms are also recognised to pay a great deal of attention to customer research prior to new products being developed and produced (Djellal, 1998). The idea of pushing products at customers is alien to the market-oriented firm. Rather, the prime goal of the organisation is to tap into customers' needs so well that new products generate their own source of marketing momentum.

2.8.2 Product Innovation Strategy

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 (Oke and Goffin, 2001). 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.

It is not enough to avidly engage in product innovation for its own sake - what some managers refer to as "innoflation" (Mitchell, 1996). It is important to delineate just what product features are to be improved or radically changed. For this purpose, analysts have differentiated between "core" product features and help provided in evaluating, buying and using the core product. The amount of help or support provided will depend on the needs of particular customers. An appropriate premium price can normally be charged for support. Support provides a potentially profitable lever for gaining competitive advantage. It enables a supplier to sell the same core product to different customer groups as different offerings (Storey and Easingwood, 1998).

Buyers can be served with quite novel forms of support. One such novel form explains the success of the business strategy of First Direct, a subsidiary of Midland Bank, Britain's fastest growing retail bank. First Direct serves customers solely through telephone contact. This new approach is a great attraction to the customers it aims to target - confident, busy, younger professional individuals. The attraction is not the basic banking products but the way in which help about these is provided. Help now comes through 24 hour a day voice only contact. This is far more convenient than the face-to-face help provided by bank tellers, usually only after a lengthy wait in line, during the working day. The new way of serving customers was quite revolutionary in its market and has made sizable inroads into previously established financial services supply patterns.

2.8.3 Market Innovation

Market innovation is concerned with improving the mix of target markets and how chosen markets are best served (Mitchell, 1996). 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, (Walker *et al*, 1996). 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.

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, as for example when a person travels first class on business but second class for private travel. Each usage need presents a potential market opportunity.

The second purpose of market innovation is concerned with serving chosen markets better. This activity again relies on accurately interpreting buying preferences, but in greater detail. As with "benefit segmentation", an understanding of buying preferences is important because buyers are likely to purchase offers which they like most. Often the analysis of buying preferences is done intuitively. This can result in surprisingly successful results. Choice is made on the basis of price alone. Other customers prefer to buy in a "product-buy" mode. In this mode, knowledgeable customers seek superior core product features and are prepared to pay a premium price for these. Less knowledgeable customers prefer to purchase in a "system-buy" mode, in which they are prepared to pay a premium price for core product features and also for help in the form of advice. Last, some customers prefer to purchase in a "consulting-buy" mode. They seek only advice on how to purchase and use the core product and are prepared to pay for this. .

Identifying potential markets and interpreting buying preferences to understand how chosen markets can be served better is a specialist activity. It is the responsibility of "market champions". Market champions are to markets what product champions are to products. Product champions fight for the development of products. In a similar way, but with a different mission, market champions fight for consideration of new potential markets, and new ways for serving existing and new markets (Johne, 1996). Operationally, market champions are the makers and shapers of markets.

Some analysts have referred to market champions as "innovative entrepreneurs" (Ghoshal and Bartlett, 1988). However, it is one thing to spot potential market opportunities, but quite another to make money from these. Potentially, there are large numbers of market opportunities. A business cannot win in all the markets open to it. Skilful market champions fight for the development of markets which their business can supply and dominate in some way. Effective market championing involves spotting positions in which the business can build and retain competitive strength. There is no point in choosing an innovation strategy which the business lacks the means to pursue over time. Skilful market innovation helps to focus the competitive strategy of a business. Customer analysis, competitor analysis and supply competence analysis are its essential ingredients, (Walker *et al* 1996),

Skilful market champions appreciate the specific ways in which different customers buy. They know that some customers will have a preference for certain types of offers, while other customers will have quite different preferences. This means that the same core product can - and indeed, should - be offered quite differently to different market segments, if the aim is to meet buyers' preferences as closely as possible. There is nothing startlingly new in this. In many markets profitability turns on the ability to sell the same core product - such as airline or train seats - at different prices to different buyers. What skilful market champions appreciate is that the same core product can be differentiated by varying the support.

In many businesses there is a healthy tension between its key competences (Grant, 1991), on the one hand, and market opportunities on the other hand. Market champions address the market side of the business equation to assess alternative courses of action against the opportunities open to a business. This approach is quite different from one which assesses alternatives from the point of view of core competences or capabilities. Consideration of the strength of internal capabilities is too limiting a perspective when, as is increasingly the case, external competitive parameters are changing fast (Hamel and Prahalad, 1994).

It is the task of the market champion to question current market practices. The analytical task of the market champion is to identify better potential markets and better ways of serving existing and new markets.

As far as needed offers are concerned, Treacy and Wiersema (1995) have concluded, on the basis of a three year consulting study of over 80 corporations in a range of markets that market champions succeed by delivering a distinctive value proposition. Their message is that a business must decide on the "unique value discipline" which is of benefit to its chosen customers. They speak of achieving "customer intimate relationships" achieved by supplying core product features with an appropriate level of support.

Identifying the value propositions which will best serve the interests of selected markets is the most important task of market champions. It is based on interpreting customer usage needs against relevant segmentation criteria. As far as attitudinal purchasing preferences are concerned, these can be amplified by taking into account the different ways in which the same core product can be bought. However, a potential danger occurs, when market champions argue in favour of serving many different market segments, each with its own special mix of core product and support. Doing this will require a wide range of offers which militates against achieving economies of scale. This is why in many businesses; a tension exists between wanting to meet the buying preferences of different market segments as closely as possible, on the one hand; and on the other, the wish to supply as economically as possible through a standardized offer. The operational challenge is, of course, to decide how wide a range of customers to serve.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The chapter presents the research design and methodology of the study. It entails the study design, the population, the data collection techniques and the data analysis procedure.

3.2 Research Design

This was a case study since the unit of analysis is one organisation. This was a case study aimed at getting detailed information regarding the application of innovation strategies at EABL. According to Yin (1994) a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari, (2004) noted that a case study involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from such a study is more reliable and up to date.

3.3 Data Collection

The researcher used both primary and secondary data. Primary data was collected using a self-administered interview guide while secondary data was collected by use of desk search techniques from published reports and other documents. Secondary data sources included the company's publications, journals, periodicals and information obtained from the internet.

The interview guide had open-ended questions. The open-ended questions enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The interview guide designed in this study comprises of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondents. The second part was devoted to the identification of the innovation strategies where the main issues of the study were put into focus.

The interview guide was administered to 40 top, middle and low level management staff working in the EABL. The study selected staff particularly in this section of staff who directly dealt with day to day management of innovation strategies since they were the ones conversant with the application of innovation strategies in the company. The interview guide was administered through face to face method to the respondents. Each interview guide was coded and only the researcher knew which person responded. The coding technique was only used for the purpose of matching returned, completed interview guides with those delivered to the respondents.

3.4 Data Analysis

Before processing the responses, the completed interview guide was edited for completeness and consistency. A content analysis was employed. The content analysis was used to analyze the respondents' views about the application of innovation strategies at EABL and presented in a continuous prose. The researcher reported what the respondents said with regard to EABL's application of innovation strategies.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS OF RESULTS

4.1 Introduction

This chapter presents the analysis and interpretations of the data from the field. It presents analysis and findings of the study as set out in the research methodology on the application of innovation strategies at EABL. The data was gathered exclusively from an interview guide as the research instrument. The interview guide was designed in line with the objectives of the study. To enhance the quality of data obtained, unstructured questions were used whereby interviewees indicated their views and opinions about the application of innovation strategies at EABL.

According to the data, 37 out of 40 target respondents filled in and returned the questionnaire contributing to 92.5% response rate. The commendable response rate was achieved at after the researcher made frantic effort at booking appointments with the heads of departments despite their tight schedules and making phone calls to remind them of the interview.

4.2 Respondents Background Information

This section presents the background information of the respondents which was based on their gender composition, age, and level of education as well as job category. The section also presents the working experience of the respondents and their designations.

4.2.1 Gender Composition

The study sought to establish the respondents' gender. From the findings, a significant number of the respondents were males (55.1%), while 44.9% were females.

4.2.2 Age of the Respondents

The study sought to establish the age of the respondents. Most of the respondents were aged between 41 and 45 years as shown by 40.4%, 35.9% were aged between 31 and 40 years, 24% were aged over 50 years, while 10.9% were aged less than 30 years.

4.2.3 Level of Education

On the respondents' level of education the study found that most of the respondents (34.8%) had attained certificate level, 26.9% had attained diploma and higher national diploma level, those who had bachelors degree 21%, while 17.2% had attained masters and PhD levels of education. This information shows that the respondents were knowledgeable enough to contribute positively to successful innovative strategic decisions.

4.2.4 Job Category

The study sought to investigate the job categories of the respondents of this study. 34.4% of the respondents worked in the finance/accounts department, 29.8% of the respondents worked in the human resource department, 18.8% of the respondents worked in the marketing department, 10% of the respondents were working in the technical services department, while 6.9% of the respondents worked in the Customer Care department. This question was significant in establishing the distribution of the respondents in the various departments within the institution to enable generalization of the results.

4.2.5 Work Experience

According to the findings, 47.1% of the respondents indicated that they had served in the company for a period of over six years, another 33.3% of the respondents indicated that they had served for a period of 3 - 5 years, while 19.6% of the respondents indicated that they had served for a period of 0 to 2 years. This shows that 80% of the respondents had worked for the company for a period of over 3 years.

4.2.6 Interviewees' Designation

The study sought to establish the ranks of the respondents in the department. From the study, majority of the respondents were sales clerks, others held positions such as public relations officer, credit officer, sales clerk, finance officer, customer care attendant, and IT assistant.

4.3 Innovation Strategies

The study sought to investigate the innovation strategies adopted by the company.From the findings the company employed much of product, marketing, technological, process and integrated innovation strategies.

4.4 Process of developing Innovation Strategies in EABL

In considerations of the intended purposes of innovation strategies, the interviewees were requested to indicate how EABL uses various forms of innovative strategies. In terms of creating value through pricing, the interviewees indicated that in the current dynamic markets, marketing innovation strategies innovation gave the firm a competitive advantage and with it the superior cash flows that generate value. It also creates and maintains value, based on different environmental dynamics.

Creating value was done through product innovation strategies as well as through integrated innovation strategies. On the availability of resources and capabilities, the study found that the company attains sustainable competitive advantage through the prolonged benefit of implementing some unique value-creating strategy based on unique combination of internal organizational resources and capabilities that cannot be replicated by competitors. Customer satisfaction and retention is acquired through explicit business strategy that emphasizes innovation and knowledge creation to successfully participate in local, regional and global contexts. This has led to establishment of a convincing and clear correlation between employee attitudes, customer attitudes and financial results.

On building supply chain capabilities it was found that development of internal capabilities has been more important than limited financial resources in order to develop competitive advantages to compete with larger and multinational competitors. Results of this research support the proposition that from an associational economy perspective, the development of a geographical region or country should be an interaction among a number of constituents namely government, the firm itself and the customer groups among others.

The study revealed that, the company focuses on building and sustaining the world-class supply chain capabilities needed to improve current supply chain performance and drive future growth. With regard to creating and nurturing strong brands the interviewees indicated that the company creates time in which sales and marketing generate and influence demand increasing generics competition and EABL brands gain popularity and acceptance from its target customers in its core business, venturing into different product lines, different segments, and ever different markets.

With regard to environmental analysis and response to changes, the interviewees indicated that environmental analysis and response to changes influenced market performance and hence profitability to a great extent. Aggressive anti-competitors marketing campaigns is done through a network effect that exists when the value of a product or service increases as the number of users using the Company's products increases. The major competitors of EABL are multinational companies and thus the marketing strategies are more focused on creating a sense of belonging to the customers. There are also strong network effects in the market, and social networking is primarily based on proprietary standards, thus the company becomes the "winner-take-all". Creating loyalty of the stakeholders, by focusing on building and managing successful businesses through iconic brands, product and process innovation strategies help the company to enhance shareholder value and create sustainable competitive advantage.

The interviewees were requested to give the reasons of using innovation strategies in the EABL. They cited that the company applied innovation strategies with an aim of attracting new customers, potential employees and contractors, attaining competitive advantage, to increase profits, generative facilitation, and success criteria.

The study sought to investigate the impacts of using the innovative strategies on EABL. From the study, use of innovation strategies led to creation of value through pricing, customer satisfaction and retention as well as aggressive anti competitors marketing campaigns. Others indicated product developments that are radical, inventive and offer greater rewards and performance improvement and product innovation is important in both the supply of the core product as well as in the support part of any offer. Further, the organization uses new products introduction, reduction of costs, uses technology innovation, promotes a friendly and helpful staff hence customer satisfaction, improved innovation process and conformance to regulations as the main process innovation strategies that impact on its profitability.

On the factors that affect the adoption of innovation strategies in EABL, the interviewees indicated that the factors that affect adoption of innovation are financial factors, organizational structure and culture, specialization and complexity, functional differentiation and managerial attitude towards change, slack and technical knowledge resources as well as centralization and formalization.

4.5 Barriers to Adoption of Innovation Strategies in EABL

The study sought to establish the effects of the various general factors on adoption of innovative strategies by EABL. With regard to network problems/unreliable infrastructure, the interviewees indicated that lack of new technological infrastructure, networking and coordination mechanisms, resources within the context of an organizational, community or national culture, research and development. On lack of financial resources, the interviewees indicated challenges in management of transactions and information, the drastic changes in technological advancements consume a lot of funds to install, running of many innovation strategies concurrently challenges the financial base of the organization hence limiting the realization of the innovation strategies.

Lack of awareness and knowledge of innovative strategies, also affects innovation strategies in EABL where lack of skills, introduction of new technological systems, inefficient research and development as well as lack of relevant expertise or knowledge for innovation strategies. High cost or too expensive projects, some innovation strategies are too expensive to fund, others are too complicated that they require a lot of expertise to have them running, and that some technologies required to implement innovation strategies are expensive to acquire.

The other barriers that challenge the adoption of innovation strategies at EABL include lack of commitment, support and knowledge towards innovation strategies, nature of business and industry are other barriers for innovation strategies in EABL.

The interviewees were requested to give the possible solutions to the barriers of adoption of innovation strategies at EABL. They indicated that there should be reliable infrastructure, enough financial resources; and the staff should be equipped with adequate skills and knowledge on the new technology through regular training in order to ensure that they do dot resist the adoption of the new technology in the organization. They further indicated that support and commitment from the top management would also boost the adoption of innovation strategies as well as giving training session to the employees on the innovation strategies on aspects of technology, product, process and market innovation strategies.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings and also gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to identify the types of innovation strategies applied at EABL, to establish the process of developing innovation strategies at EABL and to identify the factors that influence development of innovation strategies at EABL.

5.2 Summary of the Findings

The study found that the company employed much of product, marketing, technological, process and integrated innovation strategies. In terms of creating value through pricing, the study found that in the current dynamic markets, marketing innovation strategies innovation gave the firm a competitive advantage and with it the superior cash flows that generate value. It also creates and maintains value, based on different environmental dynamics. Creating value was done through product innovation strategies as well as through integrated innovation strategies. This is in line with recommendations by Mckeown and Max, (2008) that, innovation must increase value, customer value, or producer value. The goal of innovation is positive change, to make someone or something better.

On the availability of resources and capabilities, the study found that the company attains sustainable competitive advantage through the prolonged benefit of implementing some unique value-creating strategy based on unique combination of internal organizational resources and capabilities that cannot be replicated by competitors. The findings are in line with the allegations by Grant (1991) that market champions address the market side of the business equation to assess alternative courses of action against the opportunities open to a business through employment of relevant resources, core competences or capabilities. As indicated by cooper, (1993), the most important contributions for innovation strategy include higher customer satisfaction, and meeting time, quality and cost objectives.Customer satisfaction and retention is acquired through explicit business strategy that emphasizes innovation and knowledge creation to successfully participate in local, regional and global contexts. This has led to establishment of a convincing and clear correlation between employee attitudes, customer attitudes and financial results.

On building supply chain capabilities it was found that development of internal capabilities has been more important than limited financial resources in order to develop competitive advantages to compete with larger and multinational competitors. Results of this research support the proposition that from an associational economy perspective the development of a geographical region or country should be an interaction among a number of constituents namely government policies, the firm itself and the customer groups among others. The company focuses on building and sustaining the world-class supply chain capabilities needed to improve current supply chain performance and drive future growth.

With regard to creating and nurturing strong brands the study found that the company creates time in which sales and marketing generate and influence demand increasing generics competition and EABL brands gain popularity and acceptance from its target customers in its core business, venturing into different product lines, different segments, and ever different markets. Environmental analysis and response to changes influenced market performance and hence profitability to a great extent. Aggressive anti-competitors marketing campaigns is done through a network effect that exists when the value of a product or service increases as the number of users using the Company's products increases.

The major competitors of EABL are multinational companies and thus the marketing strategies are more focused on creating a sense of belonging to the customers. Creating loyalty of the stakeholders, by focusing on building and managing successful businesses through iconic brands, product and process innovation strategies help the company to enhance shareholder value and create sustainable competitive advantage. On the reasons of using innovation strategies, the company applied innovation strategies with an aim of attracting new customers, potential employees and contractors, attaining competitive advantage, to increase profits, generative facilitation, and success criteria. This can be confirmed by Griffin (1997) and Cooper *et al.* (2003) who recognizes that, innovation strategy provides a clear direction and focuses the effort of the entire organization on a common innovation goal. 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.

From the study, use of innovation strategies led to creation of value through pricing, customer satisfaction and retention as well as aggressive anti competitors marketing campaigns. Product developments that are radical, inventive and early offer greater rewards and performance improvement and product innovation is important in both the supply of the core product as well as in the support part of any offer. Further, the organization uses new products introduction, reduction of coasts, uses technology innovation promotes a friendly and helpful staff hence customer satisfaction, improved innovation process and conformance to regulations as the main process innovation strategies that impact on its profitability.

On the factors that affect the adoption of innovation strategies in EABL, the study found that the factors that affect adoption of innovation are financial factors, organizational structure and culture, specialization and complexity, functional differentiation and managerial attitude towards change, slack and technical knowledge resources as well as centralization and formalization.

On network problems/unreliable infrastructure, the study found that lack of new technological infrastructure, networking and coordination mechanisms, resources within the context of an organizational, community or national culture, research and development affected adoption of innovation strategies. Challenges in management of transactions and information, the drastic changes in technological advancements consume a lot of funds to install, running of many innovation strategies concurrently challenges the financial base of the organization hence limiting the realization of the innovation strategies.

Lack of awareness and knowledgeable of innovative strategies, also affects innovation strategies in EABL where lack of skills, introduction of new technological systems, inefficient research and development as well as lack of relevant expertise or knowledge for innovation strategies. High cost or too expensive projects, some innovation strategies are too expensive to fund, others are too complicated that they require a lot of expertise to have them running, and that some technologies required to implement innovation strategies are expensive to acquire. The other barriers that challenge the adoption of innovation strategies at EABL include lack of commitment, support and knowledge towards innovation strategies, nature of business and industry are other barriers for innovation strategies in EABL.

On the possible solutions to the barriers of adoption of innovation strategies at EABL, the study established that there should be reliable infrastructure, enough financial resources; and the staff should be equipped with adequate skills and knowledge on the new technology through regular training in order to ensure that they do not resist the adoption of the new technology in the organization. It was further found that support and commitment from the top management would also boost the adoption of innovation strategies as well as giving training session to the employees on the innovation strategies on aspects of technology, product, process and market innovation strategies.

5.3 Conclusions

The study concludes that the company employed much of product, marketing, technological, process and integrated innovation strategies. In the current dynamic markets, marketing innovation strategies innovation gave the firm a competitive advantage and with it the superior cash flows that generate value. It also creates and maintains value, based on different environmental dynamics. Creating Value was done through product innovation strategies as well as through integrated innovation strategies. The company also attains sustainable competitive advantage through the prolonged benefit of implementing some unique value-creating strategy based on unique combination of internal organizational resources and capabilities that cannot be replicated by competitors. Customer satisfaction and retention is acquired through explicit business strategy that emphasizes innovation and knowledge creation to successfully participate in local, regional and global contexts. This has led to establishment of a convincing and clear correlation between employee attitudes, customer attitudes and financial results.

It can also be deduced that development of internal capabilities has been more important than limited financial resources in order to develop competitive advantages to compete with larger and multinational competitors, results of this research support the proposition that from an associational economy perspective the development of a geographical region or country should be an interaction among a number of constituents namely government policies, the firm itself and the customer groups among others. The company focuses on building and sustaining the world-class supply chain capabilities needed to improve current supply chain performance and drive future growth. The company also creates time in which sales and marketing generate and influence demand increasing generics competition and EABL brands gain popularity and acceptance from its target customers in its core business, venturing into different product lines, different segments, and ever different markets. Environmental analysis and response to changes influenced market performance and hence profitability to a great extent. Aggressive anti-competitors marketing campaigns is done through a network effect that exists when the value of a product or service increases as the number of users using the Company's products increases. The marketing strategies are more focused on creating a sense of belonging to the customers. Creating loyalty of the stakeholders, by focusing on building and managing successful businesses through iconic brands, product and process innovation strategies help the company to enhance shareholder value and create sustainable competitive advantage.

It was also clear that the company applied innovation strategies with an aim of attracting new customers, potential employees and contractors, attaining competitive advantage, to increase profits, generative facilitation, and success criteria. The use of innovation strategies has also led to creation of value through pricing, customer satisfaction and retention as well as aggressive anti competitors marketing campaigns. Product developments that are radical, inventive and early offer greater rewards and performance improvement and product innovation is important in both the supply of the core product as well as in the support part of any offer. Further, the organization uses new products introduction, reduction of coasts, uses technology innovation promotes a friendly and helpful staff hence customer satisfaction, improved innovation process and conformance to regulations as the main process innovation strategies that impact on its profitability.

The study concludes that the factors that affect adoption of innovation are financial factors, organizational structure and culture, specialization and complexity, functional differentiation and managerial attitude towards change, slack and technical knowledge resources as well as centralization and formalization. Others include lack of new technological infrastructure, networking and coordination mechanisms, resources within the context of an organizational, community or national culture, research and development, while the drastic changes in technological advancements consume a lot of funds to install, running of many innovation strategies concurrently challenges the financial base of the organization hence limiting the realization of the innovation strategies.

Others are Lack of awareness and knowledgeable of innovative strategies, lack of skills, introduction of new technological systems, inefficient research and development as well as lack of relevant expertise or knowledge for innovation strategies, some innovation strategies are too expensive to fund, others are too complicated that they require a lot of expertise to have them running, some technologies required to implement innovation strategies are expensive to acquire, lack of commitment, support and knowledge towards innovation strategies, nature of business and industry. As Kuczmarski and Associates (1994) argue, 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.

On the possible solutions to the barriers of adoption of innovation strategies at EABL, the study concludes that there should be reliable infrastructure, enough financial resources; and the staff should be equipped with adequate skills and knowledge on the new technology through regular training in order to ensure that they do dot resist the adoption of the new technology in the organization. It was further clear that support and commitment from the top management would also boost the adoption of innovation strategies as well as giving training session to the employees on the innovation strategies on aspects of technology, product, process and market innovation strategies.

5.4 Recommendations

This study recommends that for EABL to earn more profit, increase number of customers, the company should embrace the adoption of innovative strategies. EABL should also strive to ensure product range extension, product replacement, product improvement, product repositioning and new product introduction to enable the banks to be more productive, to grow faster, to invest more and also to earn more profit. The product development strategies can be effectively adopted if there are quality systems in place, there is good information flow, there is specialization and also if the management fully supports the competitive strategies. The power of product innovation in helping companies retain and grow competitive position is indisputable. EABL should ensure new products introduction, reduction of costs, improved innovation process and conformance to regulations are used to influence profitability of the bank. EABL should also ensure that they adapt the new technology in order to cope with the fast changing technology. Technology innovation encourages ease of flow of information and fast delivery to the intended persons. For efficient adoption of technology innovation strategies, there should be reliable infrastructure, enough financial resources; and the staff should be equipped with adequate skills and knowledge on the new technology through regular training in order to ensure that they do dot resist the adoption of the new technology in the bank. The findings in the earlier studies also recommends that customer satisfaction and retention market strategy, aggressive anti-competitors marketing campaigns, entry into new markets while consideration of availability of resources and capabilities as market innovation strategies, environmental analysis and response to changes and creation of value through pricing, is critically important if the aim is to develop the profitability of a business to the full.

The study also recommends that the company should address areas that affect adoption of innovation strategies which include financial factors, organizational structure and culture, specialization and complexity, functional differentiation and managerial attitude towards change, slack and technical knowledge resources as well as centralization and formalization. Others include lack of new technological infrastructure, networking and coordination mechanisms, resources within the context of an organizational, community or national culture, research and development, while the drastic changes in technological advancements consume a lot of funds to install, running of many innovation strategies concurrently challenges the financial base of the organization, Lack of awareness and knowledgeable of innovative strategies, lack of skills, introduction of new technological systems, inefficient research and development as well as lack of relevant expertise or knowledge for innovation strategies, some innovation strategies are too expensive to fund, others are too complicated that they require a lot of expertise to have them running, some technologies required to implement innovation strategies are expensive to acquire, lack of commitment, support and knowledge towards innovation strategies.

This study also recommends that there should be reliable infrastructure, enough financial resources; and the staff should be equipped with adequate skills and knowledge on the new technology through regular training in order to ensure that they do dot resist the adoption of the new technology in the organization. It was further clear that support and commitment from the top management would also boost the adoption of innovation strategies as well as giving training session to the employees on the innovation strategies on aspects of technology, product, process and market innovation strategies.

5.5 Recommendations for Further Studies

This study has explored application of innovation strategies at EABL. The study found and analyzed data with a focus on East African Breweries Limited. There are other alcoholic drinks companies in Kenya whose orientation in the beer industry is close to that of EABL but differ in the application of innovation strategies at EABL. There is therefore need to do another comprehensive study to investigate the application of innovation strategies in the beer industry in Kenya. The researcher further recommends that the same study be done on other companies so as to find out the innovation strategies employed to stay competitive by different companies.

5.6 Limitations of the study

The main limitation of the study was its inability to interview every senior management member of EABL due to their tight working schedule. This, however, was tackled by administering the questionnaires to other respondents in the same category at appropriate times when they were in a position to set aside time for the study. The study was limited to one company (EABL) thus the innovation strategies that were found in the study did include the strategies used by other companies in the brewery industry. In addition, respondents were reluctant to reveal their survival strategies fearing that this would expose them to their competitors to outdo them after their strategy had been exposed. The researcher also experienced the challenge of financial resources since the cost of collecting the data was too high.

5.7 Implications on policy, practices and theory

Successfully implementing innovation strategies is not easy for any organization and effective steps have to be put in place to ensure successful implementation. Management of the company needs to have the required knowledge, expertise and skills before they can agree and embark upon an implementation programme. In addition, the management needs to learn from others as to what has worked in other firms and what has not. In essence a number of actions need to be taken in order to increase the likelihood of success. These include; embarking of serious advertising, redefining the niche market, exploring new markets and intensive loss making areas. An organization should set up a steering committee, identify the norms, values and behaviors for the organization's people, agree on a plan of action, implement that plan and review the progress. Furthermore, the plan of action needs to be sensitive and in line with the organization's history and future. Therefore EABL will need to identify its own unique approach, as "off the shelf" packages are not readily associated with success.

However, by far the most important element of that plan is that leaders "walk the talk", get involved in the process and never let their enthusiasm wane. Achieving successful strategic plan takes time, energy and resources from everyone within the organization, an endeavor that is totally worthwhile given the positive impact of strategic planning.

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APPENDICES

Appendix I: Interview guide on the application of innovation strategies by EABL

PART A: DEMOGRAPHIC INFORMATION

1. Gender: Male ( )

   Female ( )

2. Age:

   Less than 30 Years ( )

   31-40 Years ( )

   41-50 years ( )

   More than 50 Years ( )

3. What level of education have you completed?

   Diploma/ HND ( )

   Other College Education ( )

   Degree ( )

   Postgraduate/PhD ( )

4. Which department do you work at?

   Human Resource/General Administration ( )

   Finance ( )

   Marketing ( )

   Customer Care ( )

   Technical Services ( )

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

   0 to 2 Years ( )

   3 to 5Years ( )

   6 to Date ( )

6. Which is your rank in the department?

   ....

SECTION B: INNOVATIVE STRATEGIES

7. List down the types of Innovative strategies employed by EABL

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

In considerations of the intended purposes of innovation strategies, how does EABL use these forms of Innovative strategies in terms of the following aspects?

Creating value through pricing

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

Availability of resources and capabilities

……………………………………………………………………………………………

……………………………………………………………………………………………

Customer satisfaction and retention

……………………………………………………………………………………………

……………………………………………………………………………………………

Building supply chain capabilities

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

Creating and nurturing strong brands

……………………………………………………………………………………………

……………………………………………………………………………………………

Environmental analysis and response to changes

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....

Aggressive anti-competitors marketing campaigns

....

....

Creating loyalty of the stakeholders

....

....

8. What are the reasons of using innovation strategies in the EABL?

....

....

What are the impacts of using the innovative strategies on EABL?

....

....

9. Which are the factors that affect the adoption of Innovation strategies in EABL?

....

....

....

How do these general factors affect adoption of innovative strategies by EABL?

Network Problems/unreliable infrastructure

....

....

Lack of financial resources

....

....

Lack of awareness and knowledgeable of innovative strategies

....

....

High Cost or Too expensive projects

....

....

Lack of Skills and innovativeness

....

....

10. Which other barriers does the adoption of innovation strategies at EABL face?

....

....

11. What are the possible solutions to the barriers mentioned above?

....

....

Thank you for your cooperation