

**INNOVATION STRATEGIES ADOPTED BY MILLY FRUIT
PROCESSORS LTD IN THE CHANGING ENVIRONMENT IN KENYA.**

BY

JUDITH OSANYA

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DECLARATION

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

SIGNED:

DATE:

JUDITH OSANYA

D61/64496/2010

This research project has been submitted for examination with my approval as a university supervisor.

SIGNED:

DATE:

DR. JACKSON MAALU

Department of Business Administration

School of Business,

University of Nairobi

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ABSTRACT

A Changing business environment alter the way organizations fundamentally conduct business. Organisations are faced with a lot of challenges emanating from the environment. In order to survive, strategies have to be adopted to respond to the forces that threaten to halt survival. Long term sustainability for a business may be determined by a company's ability to competitively direct innovation resources to address a constantly changing market and economic environment.

The objectives of this study were first to determine the environmental challenges faced by MFPL, Second to establish innovation strategies adopted and third to determine the factors that influence innovation in MFPL. The research design used in this study was a case study approach. Primary data was collected using interview method, an interview guide with open-ended questions was applied. For Data analysis, Content analysis was used which was appropriate for the qualitative data.

The findings of the study in regard to environmental challenges faced by MFPL were stiff competition, rising cost of doing business due to high cost of power and bad roads, rapid development in technology, unfavorable legislation and rising labour costs. The innovative strategies adopted by MFPL included finding new ways of doing things like introduction of new products , new process in manufacturing called Homogenization and the hub and spoke model for the distribution of the products which ensured that they reach the rural market effectively. The factors that influenced innovation in MFPL included management fostering an environment

that encourages generation of new ideas, constant monitoring of the environment and partnering with the farmers.

The study concluded that in today's rapidly changing business environment, managing innovation effectively has become an essential requirement for staying competitive and that Innovation strategies employed by MFPL have been successful in dealing with the changing environment. The recommendations of this study were that the government should be supportive in creating an environment that is encouraging to fruit manufacturers by protecting local products from unfair external competition and building capacity of the industry of fruit processing. Another recommendation is for MFPL to engage in extensive advertising including television advertising in order to reach a wider market.

TABLE OF CONTENTS

LIST OF FIGURES.....	ix
LIST OF ACRONYMS	x
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Organization and the Changing Environment.....	1
1.1.2 Innovation Strategy.....	3
1.1.3 Fruit Processing Industry in Kenya.....	4
1.1.4 Milly Fruit Processors Ltd	5
1.2 Research Problem.....	6
1.3 Objectives.....	8
1.4 Value of the Study.....	8
CHAPTER TWO: LITERATURE REVIEW.....	10
2.1 Organization, Strategy and Environment.....	10
2.2 The Concept of Innovation.....	12
2.3 Innovation Fronts	14
2.4 Linking strategy with Innovation	15
2.5 Factors that Influence Successful Innovation in Organisations	16
2.6 Chapter Summary.....	19
CHAPTER THREE: RESEARCH METHODOLOGY	20
3.1 Introduction	20
3.2 Research Design.....	20
3.3 Data Collection.....	20
3.4 Data Analysis	21
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION.....	22
4.1 Introduction	22
4.2 Profile of the organization.....	22
4.2.1 Products	24
4.3 Environmental Challenges Faced by MFPL	24
4.3.1 Economic	24

4.3.2	Technological	26
4.3.3	Competition	27
4.4	Response to Environmental challenges by MFPL	28
4.4.1	Economic	28
4.4.2	Technological	29
4.4.3	Competition	31
4.4.4	Innovative Responses	31
4.5	Factors Influencing Innovation.	33
4.6	Discussion of Findings.....	35
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMENDATIONS		39
5.1	Introduction	39
5.2	Summary of Findings	39
5.3	Conclusions	40
5.4	Recommendations	41
5.5	Suggestions for Further Studies	42
REFERENCES.....		44
APPENDIX I: INTERVIEW GUIDE.....		49

LIST OF FIGURES

2-1	Innovation on Many Fronts	10
4-1	The MFPL Plant	18
4-2	The MFPL Office	18
4-3	Fully automatic preparation line	25
4-4	The Multifruit Extraction platform.....	25
4-5	48mm Broad Neck	27
4-6	Picana 300ml Mango Juice	27
4-7	Hub and Spoke model	28

LIST OF ACRONYMS

FTA	Free Trade Area
MFPL	Milly Fruit Manufacturers Ltd
OECD	Organisation for Economic Co-operation & development

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

1.1.1 Organization and the Changing Environment

The environment is constantly changing. Organisations have to proactively or continuously adapt their operations in order to survive the environmental challenges. The environment is highly dynamic and continuously presents opportunities and challenges. To ensure survival and success, firms need to develop capability to manage threats and exploit emerging opportunities promptly (Ansoff, 1987). In turbulent environments, the ability to continuously innovate or rapidly identify new developments (predicting change patterns) is accordingly essential (Burgelman, 1991).

Organisations exist in the context of a complex commercial, economic, political, technological, Infrastructural, cultural and social world environment (Johnson and Sholes, 1999). This environment is key to their success. Strategy is about winning, creating value and putting a firm in a position to appropriate the value. It is about not only creating benefits for customers but also putting a firm in a position, vis-à-vis competitors, to profit from the value created (Afuah, 2009). In a fast changing world where businesses are buffeted by external forces, managers need to be able to respond capably to keep the company on track and to meet its objectives. How an organization responds to these changes constitutes its strategic response to changes in the environment (Githii, 2007).

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson, Scholes and Whittington 2008). According to Thompson Jr., Strickland III and Gamble (2007), a winning strategy is one that fits the organization's external and internal situation, build sustainable competitive advantage and improve company performance. High-achieving enterprises are nearly always the product of astute, creative, proactive strategy making that sets a company apart from its rivals. Whether a company wins or loses in the marketplace is directly attributable to the caliber of a company's strategy and the proficiency with which the strategy is executed.

According to Ansoff's strategic success model, never in history has the pace of change in the business environment been as rapid as it is now. Recent research shows that the most important factor determining the competitiveness and profitability of organizations is the extent to which they match their strategies and capabilities to the environment in which they operate. Thompson Jr. et al (2007) argue that every company must be willing and ready to modify its strategy in response to changing market conditions, advancing technology, the fresh moves of competitors, shifting buyer needs and preferences, emerging market opportunities, new ideas for improving the strategy and mounting evidence that the strategy is not working well. Thus, a company's strategy is always a work in progress.

1.1.2 Innovation Strategy

A culture of innovation is seen as essential if organizations are to effectively manage and survive in ever-changing environments. Innovators look for, and work with, the waves of political, social, economic and technological change occurring in their environment. They adopt an open and engaging strategy learning as much as they can about what drives change and how they might come to work with it, rather than fighting a fruitless rearguard action to restore things to the way they were in some idealized past, (Martin, 2011).

The fast-paced technological advancement of the late 20th century and the opening of markets around the world through various trade agreements motivated companies to launch a profusion of new products and services, in many cases exploiting the advancing technology. As a consequence, innovation became a crucial part of corporate strategy during this period as companies tried to remain competitive and not lose market shares to more innovative companies. To attain this level of competitiveness, companies require not only the technology, but also the management skills and corporate vision to implement the technology successfully, (Blackwell, Basil and Elion, 1999).

In today's rapidly changing business environment, managing innovation effectively has become an essential requirement for staying competitive. Long term sustainability for a business may be determined by a company's ability to competently direct innovation resources to address a constantly changing market and economic environment (Decision Innovation on Innovation management, 2009-2012).

1.1.3 Fruit Processing Industry in Kenya

Kenya is predominantly an agricultural based economy. Most of its produce is consumed unprocessed or is processed. The agricultural sector is a strategic sector of the economy that contributes to food security for the nation, preservation of the environment and the generation of employment opportunities (Aboud, 2007). In the Economic survey 2012, one of the 5 main sources of growth in the last 5 years i.e. 2007-2011 is the manufacturing sector. It had an average growth of 10.3%. However Manufacturing grew by 3.3 per cent in 2011 compared to 4.4 per cent in 2010. Growth in the sector was undermined by increase in price of primary inputs and fuel costs, depreciating Kenya shilling which increased cost of imported intermediate inputs and unfavorable weather conditions that led to reduced availability of raw materials to agro-based industries.

Mango output in Kenya has increased steadily over the past decade to total production of 93,639 tonnes and yields have improved to the current level of over 16.42 tonnes per hectare (GOK,2008)with an export value of about Ksh.95 million. Most of the mangoes produced are consumed within the same production area, or sold in urban market of Kenya. Mango exports from Kenya are declining despite the expansion in demand for fresh fruits in Europe and the Near East. Mangoes from Kenya cannot compete effectively because of unreliable supplies, arising from pest infestation and crop mismanagement, as well as inadequate infrastructure, which raise the costs and the risks of shipping products abroad. Kenya's agro-processing industry is relatively well developed and has several distinct sectors for both domestic and foreign markets. These include: dairy, fish, meat, grain, fruits and vegetables, edible oils and fats, sugar, baked goods, beverages, and tobacco. In 2004, the Government of Kenya held an

investors conference to stimulate interest in Kenya by both local and international investors, and one of the key areas of emphasis was the agro-processing sector (GOK, 2004).

In Kenya, the national juice market is estimated to be worth Sh7.2 billion. To ensure a constant supply of fresh fruits from farmers, the fruit processing firms are in partnership with Horticultural Crops Development Authority (HCDA) and the Ministry of Agriculture in offering farmers extension services to raise production. These projects have empowered farmers, making them to earn a decent living. This has boosted their morale, and on the firms part ensured that they have quality raw materials supplied without a hitch. Fruit processing in Kenya is driven by the private sector (Fresh Plaza: Global Fresh produce and Banana News, 2011)

1.1.4 Milly Fruit Processors Ltd

Milly Fruits Processors Limited is a family business concern under the flagship of Milly Group. The company is situated along Malindi road in Mtwapa area approximately 25km from Mombasa. Originally known as Tropical Fruit Processors Ltd, it started producing fruit products in late 1988. Ownership changed hands in 2000 and Milly Fruit Processors Ltd was born. It is involved in fruits processing, manufacturing of artificial carbonated and soft flavoured beverages. The fruits processed are pineapple, oranges, mangoes, grapes and passion.

The plant and auxiliary installations are in a covered area of 4000 square metres with adequate room for further expansion. The pure fruits products are manufactured under the brand name of

Picana. Local farmers from Tana River Belt, Hola, Garsen, Lamu and Malindi supply the raw materials needed in the processing of products that are manufactured in the company. The high production seasons are from April to June and December to February. Mineral water is also produced and sold using the brand name Milly Water.

The company currently has 206 employees. It employs qualified technical staff with many years' experience in the field of fruit and vegetable processing. The workplace is involved in a number of unit operations which comprise converting whole fruit to the desired juice, concentrate or pulp products, Processing and packing drinking water, processing and packing artificial flavoured beverages and manufacturing and bottling carbonated beverages. The company has a depot in Nairobi where it sends products for distribution to the market. The main markets are Kenya, Tanzania and Uganda.

1.2 Research Problem

The business environment is in a constant state of flux. Organisations grow and diminish, products succeed and fail, and industries develop and retract. This change happens constantly though at times it is faster or more radical than at others. Organisations need to match their external environment's rate of change in order to maintain or develop their position. Success for organisations comes from suitable change, managed competently and consistently, that provides the organisation with the necessary competences to permit the maintenance and appropriate development of their products for their business environment (BIOPoM, 2006). Undoubtedly the capability to innovate and to bring innovation successfully to market will be a crucial

determinant of the global competitiveness of nations over the coming decade. There is growing awareness among policymakers that innovative activity is the main driver of economic progress and well-being as well as a potential factor in meeting global challenges. Today, innovation performance is a crucial determinant of competitiveness and national progress. Moreover, innovation is important to help address global challenges, such as climate change and sustainable development. But despite the importance of innovation, many organisations face difficulties in strengthening performance in this area (OCED, 2007).

Fruit processing firms play an important role as part of the manufacturing sector by contribution to income generation, employment creation and food security. Mango processing in Kenya has not expanded, and only a negligible share of total production is currently processed. Only one relatively large-size mango processing firm based in Coast Province processes local products. Other local juice and jam makers import mangoes in the form of concentrates mainly from Mauritius, Egypt and South Africa. In principle, therefore, there is potential for increasing the processing of local products. Local production, however, is of low quality. Ninety-five percent of mango produced in Kenya is made up of indigenous varieties. These, as already mentioned, are rich in fibre, and of little market value and are either consumed within the households or sold at very low prices in the village markets. (Ministry of Agriculture, Government of Kenya). Milly Fruits processors Ltd is one of the few fruit processing companies that have had significant success in its operations. However nothing remains static today. Customers' requirements are continuously changing as are the product specifications and processing technology.

Previous studies have focused on challenges facing the implementation of strategy for revitalizing agriculture (Aboud, 2007) distribution strategies pursued by food processing firms (Oloch, 2007) strategic responses to business environment changes (Githii 2007) These studies showed that firms faced with changes in the environment made adjustments to their strategic variables to ensure success. However none of the studies looked at dealing with changing environment through innovation strategies. In addition it is not known as to which innovative strategies have been adopted by fruit processing firms. Therefore the questions beg, what challenges has Milly fruit processors Ltd faced? What innovation strategies did Milly Fruit Processors adopt in order to navigate the changing and often volatile environment? What factors influenced innovation in Milly Fruit Processors Ltd?

1.3 Objectives

The objectives of this study are:

- i) To determine the environmental challenges faced by Milly Fruit Processors Ltd
- ii) To establish innovation strategies adopted by Milly Fruit Processors Ltd
- iii) To determine the factors that influence innovation in Milly Fruit Processors Ltd

1.4 Value of the Study

The study is expected to be beneficial to the following:

For scholars the study will provide information on successful strategies applied in fruit processing companies. This will expand their knowledge in the sector as well as identify areas of

further research. The study will shed light and add knowledge to the concept of innovation strategies.

Policy makers will obtain knowledge and guidance from this study which will help them in designing appropriate policies that will regulate the sector. It will show the challenges facing the fruit processing industry and they will take this into account in the process of policy making.

Fruit processing firms will learn effective and new ways of doing things. This will help them grow and become profitable. Potential investors would gain a greater appreciation of the enormous opportunities and challenges facing the fruit processing sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 Organization, Strategy and Environment

Strategy is the direction and scope of an organisation over the long-term which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations (Johnson and Scholes, 1999). The external environment in which firms operate is constantly changing and firms have to respond to these changes all the time. Strategy sets direction for organizations to be able to maneuver through threatening environment. Strategy helps guide the pattern of responses of organizations to the changes that are taking place. Strategy helps an organization to cope with changes in the environment (Pearce and Robinson, 1988).

Changing business environments alter the way organizations fundamentally conduct business. One area of management which has always been characterized by controversy and diverse approaches based on seemingly exclusive fundamental theories, is the area of strategy. Since strategy theory should be in constant conversation with practice to stay relevant and significant, strategy should reflect demands of the organizational environments and as such be shaped by business realities. Strategy for organizations in a fast changing and challenging world should be dynamic and does not necessarily look like academic theories statically propose (Pretorius and Maritz 2011).

Primarily there are five most significant environmental forces that managers face in making decisions and they include Social-Cultural, economic, technological, political, legal and ecological forces (Johnson and Scholes 2003). Strategies today often fail to meet the demands of a dynamic business world. There are many reasons for this failure, both specific and general, but one of the most common reasons why traditional models of strategy and classic approaches to strategy formulation have failed to generate acceptable results is that many past strategies were overly reliant on static snapshots of businesses and industries which were in a constantly flowing process of change, redefinition and evolution. As a result, many initiatives and investments were not well conceived, or failed to reflect the full needs of the rapid pace of change in the business world. By understanding and acting effectively on the implications of a set of predictable dynamic trends playing out in many industries, the organization can be far better positioned to reduce risks and take advantage of opportunities in tomorrow's markets (Daniell, 2006).

Raspin and Terjesen (2007), in their research on strategy making studied 394 senior managers. They purposed that firms face uncertain environments characterized by shifting demographics, disruptive technologies, new industries and competitors, and other challenges. To survive the tumultuous landscape, firm managers make strategy by assessing the organization's internal and external environments, questioning assumptions about how the world works and deciding how the firm should operate. They referred to this activity as forecasting the future. Scenario planning was used as a methodology. Findings were that when making strategy through scenario planning and forecasting methods, managers need to examine the validity of current market assumptions used to guide forecasting efforts, involve key stakeholders in a debate about and assessment of

these assumptions, update strategic plans with forecasting process outcomes, and regularly review key hypotheses about market events and their performance impacts.

2.2 The Concept of Innovation

Innovation scholars generally point out to two different types of innovation: incremental and radical. Incremental innovation is generally understood to exploit existing forms or technologies. It either improves on something that already exists or reconfigures an existing form or technology to serve some other purpose. A radical innovation, in contrast, is something new to the world and a departure from existing technology or methods. Many radical innovations have the potential to displace established technologies or create entirely new markets (Harvard Business essentials, 2009)

Any existing organization goes down fast if it does not innovate. Not to innovate is the single largest reason for the decline of existing organizations. Purposeful innovation results from analysis, systemic review and hard work and can be taught, replicated and learned. Purposeful, systematic innovation begins with the analysis of opportunities. The search must be organized and conducted on a regular basis. Drucker identified seven sources of opportunity that will ultimately drive innovation. These are the organisation's own unexpected successes and failures and also those of competition, incongruities especially those in a process such as production, distribution, or incongruities in customer behavior, Process needs, changes in industry and market structures, changes in demographics, changes in meaning and perception and New knowledge (Drucker, 2001).

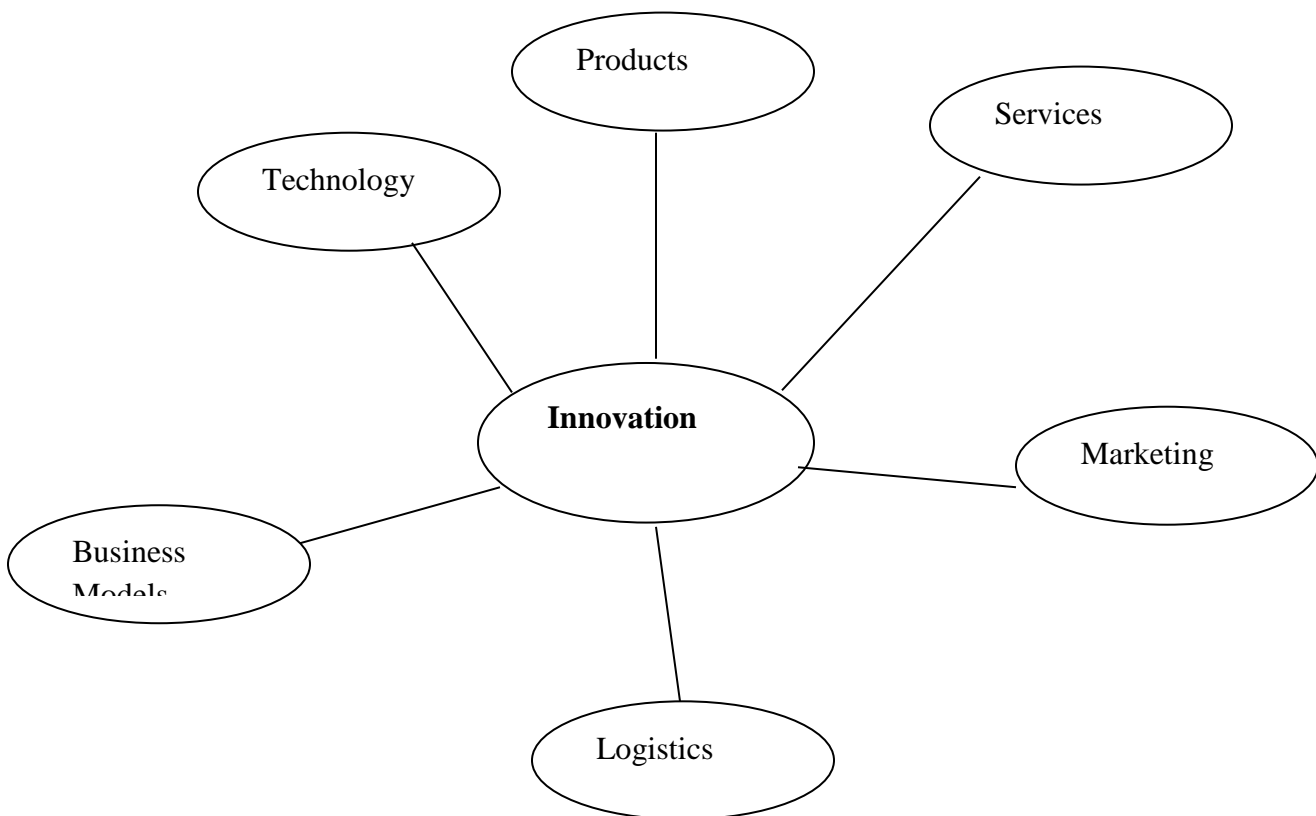
An organization discovers and aligns around a strategic frontier to guide its innovation efforts by beginning with a more fundamental discussion about the future of the business. It begins with the identification of the organization's strategic intent. The purpose of the strategic intent is to provide all employees with a sense of direction, a goal for discovery, and a sense of destiny for the organization. The strategic intent lays out a future direction and is most effective when it is a "stretch" for the company, one that inspires and engages employees by appealing to their hearts, not their heads. For a strategic intent to have emotion behind it, it must reflect what the organization values, what it finds most important. If customer satisfaction or quality products or community involvement are strongly held and widely shared values, then your strategic intent for the future should build on them (Bate 2010).

Dobni (2008), in his study, identified that over 80 percent of senior managers agreed that innovation creates a strong source of competitive advantage, and 90 percent indicated that innovation is highly valued. Yet these same companies rated themselves poorly at innovation. His paper set out to consider behaviors and traits that help organizations to successfully innovate. His findings were that the innovation DNA sequence includes employee centric traits of knowledge management, cluster management, value management, and alignment. The context shaping innovation includes employee constituency and empowerment. The outcomes include strategic architecture to support innovation, innovation mapping of strategic initiatives, and value creation. There are competitive and positioning advantages of innovation DNA that promote a sustainable competitive advantage. He concluded that embedding innovation DNA into the organization's fabric elevates organizations to being innovative in everything they do - from knowledge management to value creation, and execution.

2.3 Innovation Fronts

Innovation takes place on many fronts. This is according to Harvard Business Essentials 2009. It states that innovation is prevalent in technology, services, processes, marketing and distribution, business models and supply chains. It can be displayed as below.

Figure 2-1: Innovation on Many Fronts



Source: Harvard Business Essentials, 2009

2.4 Linking strategy with Innovation

Strategy is about positioning for sustainable competitive advantage, making choices about which industries, products, services to deliver, and allocating resources to achieve the unique competitive position an organization is aiming for. Ultimately the goal of strategy is to achieve long term, sustainable, superior performance. Strategy's focus is on creating value by satisfying customer needs and wants better than anyone else. The execution of strategy is driven by creating a set of options in which to invest the company's resources, be it products or services, business models or brand development. Innovation tries to achieve this. In order to focus the resources of an organization on developing the most effective innovation possible, i.e. those innovation that will generate the most customer value and create new things that will serve customers better than anyone else, the efforts of the company's people need to be closely tied to achieving business strategy, achieving the vision of what the company can be in the future. In the process of discovering what customers are doing, innovators create new options to meet unarticulated needs. By generating new options, the process allows a company's leaders to see new opportunities to grow that their existing strategy has not taken into consideration (Luebke, 2010).

Stewart and Fenn, (2006) in their research also linked Strategy to innovation by looking at strategy as a motivation for innovation. The study proposed that strategy activity is the most necessary form of and foundation for innovation. It is also the real context for any innovation effort that is intended to create competitive advantage, especially in response to three key strategic issues construction industry being changing client demands for value, partnering, and

supply integration. He explained further that innovation is the profitable exploitation of ideas which requires a source of ideas that can lend themselves to profitable exploitation and a goal in pursuit which to exploit the ideas. Those goals are established and met by strategic innovation. His findings emphasized that the right strategy tools can motivate ideas and insight. However, elements of normal industry practice constitute strong demotivators to profitable strategic innovation, hence the presence of strategy activities noted in the industry. The conclusions were that with strategically-oriented innovation, a firm can identify and create new value for its customers and integrate its supply chains. Without it, innovation is at best blind, at worst, will never happen. Without strategy, there is no motivation to innovate.

2.5 Factors that Influence Successful Innovation in Organisations

According to Drucker 2001, there are three conditions that must be met for an innovation to be successful. Firstly, Innovation is work. It requires knowledge, ingenuity and creativity. Innovators rarely work in more than one area, be it finance, healthcare retail or whatever. This work requires diligence, perseverance and commitment. Secondly, to succeed, innovators must build on their own strength. They must look at opportunities over a wide range, then ask which of the opportunities fits them or the company. There must be a temperamental fit with the practitioner and a link to business strategy, thirdly innovation is an effect in economy and society, a change in the behavior of customers, of teachers, of farmers, of people in general. Or it is a change in a process, in how people work and produce something. Innovation must always be close to the market, focused on the market and market driven.

Based on their experience assisting multiple clients across industries to develop a core competence at innovation (Loewe and Chen, 2007) came up with three recommendations. Firstly start with fresh perspectives. This is done by leaving behind the old innovation paradigm through challenging outdated assumptions that constrain innovation efforts. Drivers such as globalization, the blurring of industry boundaries, the explosion in the availability and accessibility of information, the increasing dispersion of knowledge, and the growing use of alliances and partnerships have dramatically shifted the landscape of innovation. As a result it is urgent that companies reexamine their assumptions about innovation and purge three common obsolete ideas. These are that innovation is all about coming up with new products and services, innovation is solely the job of the R&D department and breakthrough innovation occurs only through luck or a “stroke of genius” from a visionary leader. Secondly Use the Innovation architecture to design your innovation program and thirdly avoid seven pitfalls that can thwart the initiative, namely overly relying on customers to find solutions, generating ideas without new insights, assuming that innovation is about making a few “big bets”, failing to give innovators time, training and tools, confusing “involving many people” with “making it a free for all, letting a systematic innovation process become bureaucratic and failing to insist on sufficient involvement from the executive group.

If innovation is a key function of companies, then management has a responsibility to encourage the generation of innovative ideas, both traditional and nontraditional tools can be used for that task: rewards, a climate of innovation, hiring innovative people, encouraging the cross-pollination of ideas, and providing support for innovators (Harvard business essentials, 2009). A study by Naranjo-Valencia, Jiménez-Jiménez, Sanz-Valle (2011) examined the role of

organization culture in Innovation. The objective of this study was to analyze the organizational culture that fosters or inhibits organizational innovation and imitation strategy. The paper used a sample of 471 Spanish companies for examining the hypotheses. Using hierarchical multiple regression analysis, it related the effect of organizational culture with an innovation strategy. Their findings confirmed that organizational culture is a clear determinant of innovation strategy. Moreover, adhocracy cultures foster innovation strategies and hierarchical cultures promote imitation cultures.

The main limitations of this study were that data was collected from one source for the cross-sectional design of this research. The practical implications of this study are that managers should pay more attention to their organization culture if they pursue innovation/imitation strategies. Moreover, depending on this orientation (to be the first company to introduce in new markets or develop new products for a market versus to follow a pioneer), companies should promote different values and norms in their organizations.

Sharifirad and Ataei, (2012) also explored the relationship between organizational culture and innovation culture. The purpose of the study was to examine the influence of organizational culture on the building blocks of innovation culture in Iranian auto companies. A sample of six large auto companies was examined and 245 questionnaires completed by employees. A conceptual model was developed and the hypotheses analyzed by using exploratory factor analysis and then the direct and indirect effects of constructs were analyzed by path analysis technique. Findings suggest that the constructs of organizational culture correlate with those of

innovation culture. He concluded that paying attention to different aspects of Organization culture can have a positive effect on making innovation pervasive in organizations.

2.6 Chapter Summary

Strategy and innovation are tied so closely together that it is hard to know where one stops and the other begins. What matters most is that the processes of developing strategy and the processes for uncovering and meeting customer opportunities are combined in a systemic manner. The findings to studies done show that to survive the tumultuous landscape, firm managers make strategy by assessing the organization's internal and external environments, questioning assumptions about how the world works and deciding how the firm should operate, Embedding innovation DNA into the organization's fabric elevates organizations to being innovative in everything they do - from knowledge management to value creation and execution. In looking at the role of organization culture, findings confirm that organizational culture is a clear determinant of innovation strategy. Moreover, adhocracy cultures foster innovation strategies and hierarchical cultures promote imitation cultures.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology to be employed in the study. It highlights the research design and explains why it has been chosen for this study. It goes further to show the data collection methods to be used and finally gives the data analysis.

3.2 Research Design

This study will be conducted through a case study. A case study was chosen because it enables the researcher to have an in-depth understanding of the object of study. They provide a great amount of description about a particular case. They also provide more opportunities for the researchers that they would not have otherwise. The importance of case study is emphasized by Kothari (1990) who acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study.

3.3 Data Collection

Primary data will be collected using interview method. An interview-guide with open-ended questions will be used. The questions will cover products manufactured, changes witnessed in the organization, responses to the changes witnessed and new ideas introduced in the company to deal with the changing environment. This will involve in-depth discussions through meetings.

Interview method is important for this study because it is more flexible and writer can adapt to the situation and get as much information as possible. Researcher can also use probing questions to get more information. Copper and Schindler (2001) emphasized the value of personal interview when they stated that it enables in-depth and detailed information to be obtained. Data will be collected from the General Manager, Human resource manager and the Production manager. These individuals will be interviewed because they are involved in decision making, policy making, supervising staff and monitoring the day to day activities of the organization.

3.4 Data Analysis

Content analysis will be used. This is a systematic research method for analyzing textual information in a standardized way that allows researcher to make inferences about that information. It helps researcher to learn more about the issues examined because it is systematic. It also allows a researcher to extract relevant information more consistently. In this case where we have qualitative data, there will be emphasis on the stated experiences of the participants and on the stated meanings they attach to their environment. The mass of words generated by interviews or observational data will be described and summarized. The questions will require the researcher to seek relationships between various themes that have been identified, exploration of relationships between categories and refinement of themes and categories. Analyzing qualitative data involves reading through the interview transcripts and drawing connections between discrete pieces of data, finding themes, patterns, and relationships.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter contains the findings of the study together with their possible interpretation based on interview administered. This chapter presents the analysis of data collected from the interviewees using interview guide in Appendix 1. The interview which contained 13 different questions touched on all the objectives of the study. The respondents comprised the General Manager, the production Manager and the Human resource Manager. The researcher considered to use those in management for interview in the study as these were thought and expected to give adequate information on the subject of investigation.

4.2 Profile of the organization

Milly Fruit Processors Limited is a family owned business which was originally called Tropical Fruit Processors Ltd when it started producing fruit products in 1988. Ownership changed hands in 2000 and MFPL was born. The company is situated along Malindi road in Mtwapa area approximately 25km from Mombasa. It is situated on a 20 acre plot which has three production plants/warehouses, cold store, compressor room, boiler room, generator room, an office block weighbridge and guard house. The fruit crushing Plant is located in the main warehouse which is interlinked to three small warehouses. The office is located on the left side of the plot as you enter the gate while the two production plants face the gate. The third warehouse is to the rear of the other warehouses. The weighbridge is next to the office block. See figures 4-1 & 4-2.

Figure 4-1: The MFPL Plant



Source: www.picana.co.ke

Figure 4-2: The MFPL Office



Source: www.picana.co.ke

MFPL processes large quantity of tropical fruits like Mangoes, Passion, Oranges, Grapefruit and pineapple. The products are marketed under the Brand name PICANA and MILLY.

The markets for the products are Kenya, Uganda, Tanzania and Rwanda.

4.2.1 Products

Products Manufactured include fruit concentrates, fruit juices, fruit drinks, mineral water and carbonated soft drinks. The product range includes the 300 ML Bottled Juice which comprise of Mango, Passion, Pineapple, Orange and Cocktail. Next we have fruit drinks and squashes which comprise of Mango, Passion, Pineapple, Orange, Cocktail and Strawberry. These come in sizes 1L, 1.5L, 2L, 3L & 5L. The third range is Tetrapak juices whose sizes are 1L & 250ML. They come in all the flavours as already listed above. The fourth is canned juice which comes in 2.9L. We also have Jerry Cans which come in 5L. Lastly we have Mineral water with amounts of 500ML, 1L, 1.8L, 5L, 10L & 18.9L.

4.3 Environmental Challenges Faced by MFPL

The business environment is continually changing and challenging organizations in multiple dimensions. The first objective was to determine the environmental challenges faced by MFPL. The researcher interviewed the informants in order to know what these challenges are.

4.3.1 Economic

Economic environment has to do with nature of an economy, level of income, legislation, economic resources and distribution of income and wealth. The informants cited rising cost of

labour over the years as a change witnessed by the organisation. In May 2012, the government announced a 13.1 per cent pay increment on the basic minimum wage for all workers in the country. According to the Ministry of labour, Basic Minimum Consolidated Wages (General Wages Order (amendment) Order June 2012, the minimum wage rate of a machine worker for the City Mombasa is now kes 467.2 per day, while in 2010, the minimum wage of a machine worker was kes 367.35.

The General Manager noted that casuals are now supposed to be treated same as permanent employees. According to the labour laws, temporarily and fixed term employed workers enjoy all the rights of an employee working on permanent terms. Employment act, CAP 226, 37(3) state that “An employee whose contract of service has been converted in accordance with subsection (1), and who works continuously for two months or more from the date of employment as a casual employee shall be entitled to such terms and conditions of service as he would have been entitled to under this Act had he not initially been employed as a casual employee”. Above mentioned reasons have led to high cost of labour costs.

Another challenge the company has witnessed over the years is high cost of fuel/Power. Being a big Plant, the company utilizes a lot of energy in its operations and in the manufacturing of the fruit juices. This high cost of power consequently leads to high production costs and thus high end product. According to Kenya Association of Manufacturers, Kenyan consumers are paying a total of 21 cents per kilowatt of electricity, those in Uganda and Tanzania Pay 11.8 and 7.4 cents per kilowatt of electricity respectively. An even better comparison is that of Egypt and South Africa which pay 3.1 and 4 cents per kilowatt of electricity respectively. This makes it hard to

compete with products from such countries since their production costs are low and thus prices of end product low too.

Legislation is one of the three main functions of government. When asked to say what changes have taken place in the regulations and legislations, the informants mentioned undue heavy taxation policies. When they require importing spare parts for maintenance, they pay Kenya Revenue Authority high taxes. According to Deloitte (2012), the customs duty on imported finished products is 25%. This translates to a very high figure and high maintenance costs of the plant. Another challenge being experienced by MFPL over the years is bad roads within the coast region. Even though the Mombasa Malindi road is in good condition, the inroads from the farms are in deplorable conditions. The farmers use these roads to transport mangoes from their farms to the factory. When it rains, the roads are impassable and therefore no mangoes can be transported to the factory. This leads to mangoes rotting because of the delay in their transportation and therefore the factory not getting sufficient supply of fruit. This can hamper production.

4.3.2 Technological

Technological environment has to do with new inventions of production, products and processes. The informants indicated that the last few years have seen rapid development in technology. Before technology set it, fruit companies including MFPL used primitive ways of producing fruit juice. The quality of the juice was not up to standard and the packaging was wanting. Technological advancements started with the west and this led to producing high quality products. These products started finding their way into the Kenyan Market and gave stiff

competition to the local products. There has been a need to improve quality of products in order to deal with the growing global competition. Companies have constantly been looking for new ways of doing things and efficient methods that help bring costs. According to Sharma (2006), the 21st century has seen extra-ordinary advancement in the world of technology and the quest is still on. Modern society has seen discoveries / inventions un-paralled magnitude and propositions.

4.3.3 Competition

In business, competition can be defined as the effort of two or more parties acting independently to secure the business of a third party by offering the most favorable terms. The informants noted that there has been an Influx of foreign products from Comesa countries coming into Kenya. The COMESA FTA was created in the year 2000. A Free Trade Area (FTA) is a regional trade arrangement where a group of countries agree that goods produced by themselves can be traded without payment of customs duties or imposition of quotas (Ministry of trade). The products that are brought in from other Comesa countries are cheaper due to the fact that the cost of production in those foreign countries is lower than in Kenya. Some of the countries bringing in these products include Egypt & South Africa. This has made the local products uncompetitive. There has also been increased competition within East Africa, some of the competitors being Delmonte, Pick n Peel and Jaffa fruit. These companies manufacture the same fruit juice that MFPL manufacturers. For example, Delmonte manufacturers mango, orange, pineapple, passion, tropical and apple as shown on Delmote website.

The production manager also pointed out that apart from the recognized manufacturers, there have emerged many small mushrooming manufacturers who produce from their houses, kiosks and small shops. Most of these small manufacturers do not have licenses. The products they produce is supplied to the same markets at cheaper prices. This is killing businesses for those who have paid and acquired licenses. To acquire a license, the authorities come to your premises and do relevant audits, checking equipment and processes. The mushrooming small manufacturers do not have the right technology, do not use the right ingredients and their products might be cheaper, but not healthy. All of the above competition challenges have caused MFPL to rethink on its strategy to defend its position and protect its market share in the region.

4.4 Response to Environmental challenges by MFPL

Organisations are challenged by dynamic environments with a rapid speed of changes, burgeoning complexity and increased uncertainty. Hence, organizations are engaged in discovering the unknowable and their strategy has to assist them in this process in order to enable firms manage these changes. The second Objective of this study was to establish innovation strategies adopted by MFPL. The General Manager and the production manager were interviewed in order ascertain how the company responded to the environment.

4.4.1 Economic

The informants were asked to explain how MFPL had responded to the changing environment. They noted that environmental challenges are all controlled by external forces. In order to get government support, the company has lobbied the government through KAM of which it is a

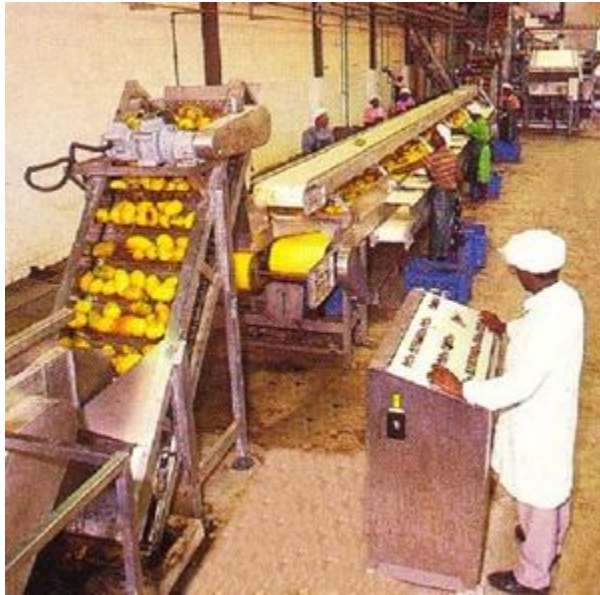
member of. KAM is a representative organization for manufacturing value-add industries in Kenya. It provides an essential link for co-operation, dialogue and understanding with the government by representing the views and concerns of its members to the relevant authorities. MFPL has also lobbied through Deloitte consulting firm who advise government on policies and give recommendations for the industries. Deloitte provides audit, tax, consulting, enterprise risk and financial advisory services.

MFPL also uses economies of scale in their bid to bring costs down. These are the cost advantages that an enterprise obtains when producing in bulk. To help in bringing down the high cost of power, the company is planning to put up a plant which will generate power and thus reduce the costs tremendously.

4.4.2 Technological

After the post election violence, the company upgraded its machines and moved from manual to automatic. It also put up new fruit process lines. These machines are highly technical and fully automated machines which are less dependent on manpower. This has led to improved packaging and power savings. The highly sophisticated modern machineries and technology has also enabled MFPL to develop and build a complete range of fruit concentrate from tropical fruits. Figures 4-3 and 4-4 illustrate this.

Figure 4-3: Fully automatic preparation line



Source: www.picana.co.ke

Figure 4-4: The Multifruit Extraction platform



Source: www.picana.co.ke

4.4.3 Competition

It is every business nightmare when you find and market the perfect product only to wake up one day and find someone else is producing cheap products of the same thing. The informants were anonymous in saying that competition is something the company has to constantly deal with. They have to protect their market share in the region and they do this through advertising through radio, billboards, press advertisements and internet marketing. They also ensure to put out not just quality products new ones too. This ensures they keep competitors on edge.

4.4.4 Innovative Responses

In today's fast-changing business environment, those firms that want to remain competitive must also be innovative. Innovation is not simply developing new technologies into new products or services, but in many cases finding new models for doing business in the face of change. The informants mentioned new products, processes and technology introduced by the company.

In regard to New Products, new on the market scene from a range of products that have come from the processing line at the plant is the Picana 300 ml mango juice which comes in a refillable glass bottle. This is unique in itself as it is the first bottled juice in the country, see fig.4-6. For the squashes, there has been an introduction of new flavors like cocktail and lemon ginger. Another introduction of bottled mango juice is the 48mm broad neck, this is also the first of its type to be produced in the country, and is still the only one of its type produced by a local company, see fig.4-5

Figure 4-5: 48mm Broad Neck



Source: www.picana.co.ke

Figure 4-6: Picana 300ml Mango Juice



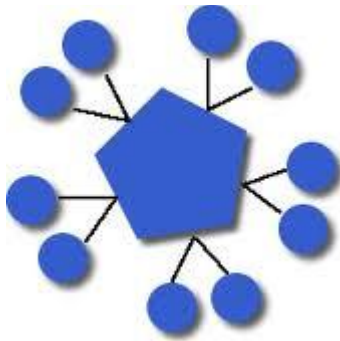
Source: www.picana.co.ke

In regard to Processes, the company has put in place new processes which are using improved sanitation levels. There is use of Homogenization where this is a process of reducing and standardizing the particle size of fluid products such as fruit juices, beverages and flavours under conditions of extreme pressure, shear, turbulence, acceleration and impact to make them more stable and have a better texture and taste. The effect is achieved by forcing the product through a special homogenizing valve at very high pressure. Homogenization provides a much more stable product, with a better shelf life and it also reduces the use of additives and helps manufacturers to optimize the composition of products.

For distribution of their finished products, the company is now using the Hub and spoke model, a system which makes transportation much more efficient by greatly simplifying a network of routes. It is a system of connections arranged like a chariot wheel, in which all traffic moves along spokes connected to the hub at the center, see fig.4-7. In essence, it helps to get to rural

markets and makes it easier to expand the market share. Another distribution model used is the Key account direct distribution. This is where the products are supplied directly to the big accounts like the supermarkets and the hotels.

Fig. 4-7: **Hub and Spoke model**



Source: imomus.livejournal.com

The above mentioned innovative ways have led to improved quality of products, labeling has gotten better and appearance is attractive to the eye. MFPL has been able to maintain its market share and achieved more shelf visibility in the shops and supermarkets.

4.5 Factors Influencing Innovation.

Innovations are one of the main sources of a competitive advantage and they are essential for a company's growth. Fast technology development, Combined with the globalization and fast changes in customer demand, implies that a competitive advantage of a company can only be temporary. The third objective was to determine the factors that influence innovation in MFPL. The informants were interviewed and they gave several conditions and factors that they see as influencing the company's ability to continually look for new and better ways of doing things.

One of the factors given was the constant alertness and monitoring of the environmental changes by the top management of MFPL. They do this by constantly seeking information about the industry through being in touch with organizations like KAM which they are a member. KAM is in touch with all manufacturers in Kenya and is aware of the happenings and changes going on in the industry. They also get to learn more through KAM meetings where they mingle with other industry players. The top managers also attend world trade exhibition where they get to learn what is going on beyond Kenyan borders. It is important that they are aware of the global happenings since the world has now become a global village. MFPL has also subscribed to relevant industry magazines which also give information on what might be happening in the manufacturing world. The top management is always on the lookout and gathers information in their daily dealings with other stakeholders. The company strategies are reviewed semi-annually.

Another factor influencing innovation is fostering an environment that encourages and allows innovation to thrive. In order to get new ideas of products and processes, the top management looks at global companies that are setting trends in fruit manufacturing and innovativeness. They are constantly looking for new ways of doing things and coming up with new products ahead of other fruit manufacturers in the country. Creativity and innovation among staff is encouraged through recognizing of star performance on a monthly basis. Some of the new ideas come from the staff. Since it is the staff involved in the process of manufacturing, they know where the problems are and where there needs to be improvement, they are encouraged to share good practice.

Partnership with Farmers has proved to be very helpful in ensuring both parties feel they are getting a fair deal. Local farmers from Tana River Belt, Hola, Garsen, Lamu and Malindi supply the raw materials needed in the processing of products that are manufactured in the company. MFPL is in partnership with farmers and this partnership is to ensure that each side profits from the process. The farmers should feel that their crop is bringing in profits in order for them to continue growing the crop and supplying to MFPL. The company also advises the farmers on how the fruits are to be packaged before delivery to the factory, gives a good price for the crop and ensures immediate disbursements of funds.

Globalization has been a big factor influencing innovation in MFPL. This is because globalization has exposed MFPL to the outside world and it now has to compete with products that come in from more developed countries. These products are more advanced and have better quality. This makes them more attractive to the knowledgeable consumer who is always looking for value for their money. In order to compete with these products, MFPL has found itself researching for better ways of doing things by coming up with better products, more efficient processes of manufacturing and effective distribution methods.

4.6 Discussion of Findings

The first objective of this study was to determine the environmental challenges faced by MFPL. The study established these challenges as high cost of production brought about by high cost of labour and power, Competition offering are cheap and affordable products to the market which resulted to stiff competition, heavy taxation by the government and fast advancements in

technology which meant that the company had to keep up on the developments so as not to be left behind. This is supported by Johnson and Sholes (1999) who agree that organizations exist in the context of a complex commercial, economic, political, technological, Infrastructural, cultural and social world environment. This environment is key to their success. The study of Githii (2007) further agrees with that how an organization responds to this complex environment constitutes its strategic response to changes in it.

The second objective was to establish innovative responses to these environmental challenges. The company responded to the environmental challenges by introducing new products into the market. The new products introduced were the mango 300 ml mango juice which comes in a refillable glass bottle. This is unique in itself as it is the first bottled juice in the country. The other new product is the 480ml broad neck bottled mango juice. The introduction of these new products ensured that the company stays competitive and is able to maintain its market share despite the competition. In his study of Strategic responses by Safaricom, Gichangi (2011) identified new products and services as one of the strategic responses that Safaricom had adopted to cope with a change in dynamic environment.

In order to have an effective distribution network, this study shows that MFPL employed the Hub and Spoke model which has helped transportation more efficient since it simplifies a network of route. In this network, the company has been able to reach the rural markets more effectively. To deal with technological challenges posed by the environment, the company changed its manufacturing equipment and its processes. The company moved from manual to

automatic machines. This led to improved packaging and power savings. There is also the use of homogenization process which ensures the fruit juice has a better texture and taste. According to (Koornhof, 1998), the number of decisions facing management on a day to day basis has risen significantly. Searching for and creating opportunities in the global environment will increasingly become a prime concern of management. As competition is now waged on a global basis, organizations will have to produce products and services of a world standard, be committed to ongoing innovation to attract and create new markets and use technology and employee productivity to supply competitive products and services. In agreement to this is the OCED 2007 Paper which says there is growing awareness among policymakers that innovative activity is the main driver of economic progress and well-being as well as a potential factor in meeting global challenges in domains such as the environment. Innovation performance is a crucial determinant of competitiveness and national progress.

The third objective of this study was to determine the factors that have influenced innovation in MFPL. The study revealed one of factors that influence innovation in MFPL as fostering an environment that encourages Innovation. Creativity is encouraged through recognizing good performance and sharing of good practice. This is supported by Harvard Business Essentials, (2009) which says that management has a responsibility to encourage the generation of innovative ideas, both traditional and nontraditional tools can be used for that task e.g. rewards, a climate of innovation and providing support for innovators. Another important factor highlighted is the importance of the partnership MFPL has with the farmers. This partnership has been a success factor because it has benefited both parties. The farmers get a good market for their mangoes and a good price while the company gets a constant and guaranteed supply of raw

materials for their production. Lastly for the informed customer, nothing remains static today. Customers' requirements are continuously changing as are the product specifications and processing technology. MFPL not only follows this trend but also develops new products to suit the customers' needs.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMENDATIONS

5.1 Introduction

This chapter contains a summary of the study findings, conclusions drawn from the findings and recommendations made. The conclusions and the recommendations were drawn in the quest of addressing the research question and achieving the objectives of the study. The last part of the chapter contains recommendations for further research

5.2 Summary of Findings

From the findings, it is evident that MFPL has been faced with a number of environmental challenges. These challenges include stiff competition brought about by an influx of foreign products and local products that are similar to those produced by MFPL, rising cost of doing business due to high cost of power and bad roads, rapid development in technology which means the company has to keep up, an increasing number of unfavorable legislation e.g. heavy taxation policies and rising labour costs with a huge amount of money going towards paying for salaries of workers.

The study also confirmed that the company dealt with the environmental challenges through finding new ways of doing things instead of sticking to the old. There was an introduction of new products that had never been produced in the local market. This was the 300ml Picana Mango juice , new squash flavours like lemon ginger and an introduction of the 48mm broad neck bottled mango juice. They also introduced a new process in manufacturing called

Homogenization which provides a much more stable product with a better shelf life and it also reduces use of additives and helps manufacturers to optimize the composition of products. For the product distribution, the company used hub and spoke model which ensured that they reach the rural market effectively.

The study further revealed factors that influenced innovation in MFPL. These factors include management fostering an environment that encourages generation of new ideas, constant monitoring of the environment to know when things change and thus review the strategies frequently and partnering with the farmers in order to create a win win relationship where the farmer benefits and the company profits as well.

5.3 Conclusions

Organisations often find themselves operating in changing environments where they are faced with challenges that affect their businesses. How they deal with those challenges will determine their demise or survival. This study has shown that a company has to deal with challenges like high cost of production, stiff competition, non-supportive government and keeping up with fast technological advancements.

This study shows that in today's rapidly changing business environment, managing innovation effectively has become an essential requirement for staying competitive. Long term sustainability for a business may be determined by a company's ability to competently direct innovation

resources to address a constantly changing market and economic environment. The continuous battle for the top spot has forced companies to constantly innovate.

This research concludes that Innovation strategies employed by MFPL have been successful in dealing with the changing environment. They have enabled the company to remain a success when others fizzle out by compete with not just local products but imports as well. It shows that long term sustainability for a business may be determined by a company's ability to competently direct innovation resources to address a constantly changing environment.

5.4 Recommendations

This study has shown that there is a lot of potential in fruit processing. The government needs to come up with supportive ways of encouraging investment in this industry by lowering taxes on spares, building proper roads and putting together laws that will protect local products from unfair external competition. The study also identified one major challenge of mushrooming unlicensed producers of fruit juice. They offer cheap but unhealthy products to the market. These producers are not legal since their equipment and processes have not been audited by the government. The study recommends that government cracks down on these producers and shuts them down because if not addressed, it will kill the genuine products.

Even though MFPL has been successful in reaching its market, more can be done. In order to reach a bigger market, the company can intensify advertisements through television. This will

increase penetration into major markets that might not know about the products. They can also use Online advertising to reach a wider international market. By online advertising, they can inform other African countries of its products. Once this is done, they can start exporting to these countries. Sudan is one of the countries it can try to penetrate through advertising.

Kenya being an agricultural country, the government should invest in expanding capacity of the industry of fruit processing. There is so much potential in fruit processing considering the country grows in plenty fruits like Mangoes, oranges, passion and pineapples. The government can offer support by offering refrigeration facilities to the farmers so that the mangoes don't rot. It can also built collection points for the fruits. Once the farmers harvest the crop, they take it to these collection points upon which the manufacturers will come to get them from here. By expanding the capacity needed, more investors will be encouraged to come forward and get into producing fruit juice. This will go a long way in boosting the economy of Kenya.

5.5 Suggestions for Further Studies

There is need for further research to be done in the subject of Innovation. Researcher found out there are not many studies done on Innovation in Kenya. Most studies are about strategies used by companies but not specifically on the subject of innovation. Innovation is key to survival and there should be more research done towards this.

This Study Can be replicated in fruit manufacturing companies that are foreign owned. MFPL is a company owned by locals and the sources of innovative ideas might be different than those of

foreign owned companies. It would be interesting to find out if these foreign owned companies face the same challenges as local companies and how they have managed to overcome those challenges through innovation.

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APPENDIX I: INTERVIEW GUIDE

1. What products do you manufacture?
2. What is the Market for your Product?
3. What changes has your organization witnessed in the past 5 years under the following?
Economic, technological, regulations and legislations, competition, sociol-Cultural, informed customer and political.
4. How has this affected your organization?
5. How have you responded to the changes that your organization has faced?
6. What new changes have you introduced in regard to products, technology, processes, marketing and distribution and supply chain?
7. How has introducing above changes affected your organization?
8. What Mechanisms does your organization use to Monitor environmental changes
9. How often do you review your strategies?
10. How do competitors view your company
11. What is your source of new ideas(internal, competition/external or international)
12. Is creativity and innovativeness encouraged among staff? If so, how?
13. Please give any other info/comments that you consider to be useful to this study.