ORGANIZATIONAL INNOVATION AND COMPETITIVE ADVANTAGE AMONG HEALTH FOCUSED NON-GOVERNMENTAL ORGANIZATIONS IN NAIROBI KENYA

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DECLARATION

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

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This research project has been submitted with my approval as University Supervisor.

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ABSTRACT

Innovation is not a new phenomenon. Arguably, it is as old as mankind itself. Research has found that commitment to innovation is a key to success and in a long run can be helpful in earning a competitive advantage for the firm. However, it's not that easy to buy it out in a Nonprofit context because of the confrontational environment that is around them, the many internal and external forces that influence them both positively and negatively and more so the level of uncertainty in innovation and some degree of risk with a gap of its understanding and its actual implementation.

The primary objective of this Study was to determine the extent of organizational innovation and competitive advantage among health focused non-governmental organizations in Nairobi. The study employed survey methodology to determine the extent of organizational innovation and competitive advantage among health focused NGOs in Nairobi. A structured questionnaire was constructed and mailed to the directors and program managers of the NGOs in order to elicit responses for an in-depth understanding and analysis of key aspects of the research.

Findings of the study suggested that there is a significant extent of practice of organizational innovation activities among Health NGOs operating in Nairobi and that there is also a positive relationship between the organizational innovation extent and competitive advantage. A significant proportion of the respondents are aware of organizational innovation concept though they have not fully adopted the practice to a great extent largely due to insufficient resources (both capital and human), market factors and also knowledge factors. As recommendations, these organizations were encouraged to go beyond the fear of the perceived economic risks and to take risks in coming up with new innovative ideas that have a commercial value. They should not expect too much of innovation -thinking that it will bring instant results and underestimating the timescales and investment needed, and finally NGOs should not consider innovation as a stand-alone department or area of work; rather, they ought to embed and integrated it as a core competency throughout the organization and its workforce.

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ABBREVIATIONS

NGO	- Non-Governmental Organizations
NCB	-NGO Coordination Board
MC	-Management Center
R&D	- Research and Development

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Innovation is not a new concept yet it is not well addressed in management and financial accounting literature (Scott 1992). Abrunhosa (2003) observes that even though the notion of innovation has emerged as a key concept in many facets of our life over the past two decades, the knowledge about it as a process, its determinants, and economic repercussions is still insufficient. The concept of innovation as a culture is still in its infancy. Understanding innovation as a complex and multi-dimensional phenomenon remains a significant agenda for many researchers (Adams, 2003).

Even so, as Hage (1980) notes, innovation matters. Not just as a strategy to deal with a bad economy, but also to come up with new ideas in order to grow the fundraising income. While almost everyone in both the commercial and charitable worlds agrees that innovation is important, only a small number of charities embrace it in a systematic way. Unlike the private sector, where innovation needs only to be profitable to be worth doing, government and nonprofit innovation must be about doing something worthwhile. It must challenge the prevailing wisdom and advance the public good (Hage 1980).

1.1.1 Organizational Innovation

Most often innovation has been looked at as the same as Research and Development (R&D). Schumpeter (1934) proposed five types of innovation as; introduction of new products, new methods of production, opening of new markets, development of new sources of supply for raw materials or other inputs and creation of new market structures in an industry.

The concept of organizational innovation has been frequently defined as the adoption of an idea or behavior that is new to the organization (Hage 1980). Innovation can either be a new product, new service, a new technology, or a new administrative practice. Innovation literature has a long history. The early research on innovation tended to address the organization's ability to respond and adapt to external and/or internal changes (Hull and Hage 1982). Subsequent work stressed more on pro-active innovation and distinguished between types of innovation. Emphasis was on the organization's ability to promote both process and product innovation-regardless of an immediate need for change (Kanter 1988).

1.1.2 Competitive advantage

According to Porter (1985), competitive advantage is at the heart of a firm's performance in competitive markets. Porter points out that competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. He goes further and outlines three generic strategies that firm's may use to gain competitive advantage as cost leadership, differentiation, and focus; Differentiation grows out of the company's value chain. Relative low cost positioning or focus enables a firm to avoid a competitive disadvantage, and it is also important to understand cost behavior.

Organizational innovation is linked to competitive advantage. Marketing Guru Phillip Kotler refers to innovation as the only sustainable competitive advantage. In reviewing the use of the term competitive advantage in the strategy literature, the common theme is value creation. Organizations acquire competitive advantage by developing new ways to

carry out activities of the value-chain for delivering superior customer value; this is ideally an act of innovation (Porter, 1990). This implies, firstly, that innovation and the competitive advantage process are interconnected (Lengnick- Hall 1992). Secondly, innovation can occur in any value-creating activity of the organization, and all types of innovations, both technological and non-technological, can lead to SCA (Weerawardena, 1999).

According to Lengnick- Hall (1992), several common themes emerge repeatedly across studies to suggest that the link between innovation activities and competitive advantage rests primarily on four factors: First, innovations that are hard to imitate are more likely to lead to sustainable competitive advantage (Porter, 1985). Secondly, innovations that accurately reflect market realities are more likely to lead to sustainable competitive advantage (Porter, 1985). Thirdly, innovations that enable a firm to exploit the timing characteristics of the relevant industry are more likely to lead to sustainable competitive advantage (Kanter, 1983). Fourth, innovations that rely on capabilities and technologies that are readily accessible to the firm are more likely to lead to sustainable competitive advantage (Ansoff, 1988; Miller, 1990). Innovation can help businesses meet all of their strategic challenges, not just competition; for example, in confronting accelerating rates of change, globalization, rapidly advancing technology, a more diverse work force, and a change from an industrial to a knowledge-based economy. Meeting all of these challenges helps the firm achieve competitiveness, and meeting these challenges appropriately depends on innovation. If a firm uses textbook solutions for these or other market-oriented challenges, it becomes dangerously predictable, and at best, ends up in the same relative position as its competition.

1.1.3 Non-Governmental Organizations (NGOs) in Kenya

NGOs Co-ordination Act 1990 defines a Non-Governmental Organization (NGO) as a private voluntary grouping of individuals or associations not operated for profit or other commercial purposes but which have organized themselves nationally or internationally for the benefit of the public at large and promotion of social welfare, development, charity or research in the areas inclusive of, but not restricted to health, agriculture, education, industry and supply of amenities and services. According to the NGO Co-ordination Board (2009), the last decade has witnessed substantial growth in the number of organizations registered under the NGOs Co-ordination Act of 1990.

Kanyinga (2004) observed that the opening of political space through political and economic liberalization in the 1990s, the decline in the capacity of the state to provide basic services and the country's rich tradition of philanthropy and volunteerism contributed to the growth of many organizations that sought to facilitate democratization and good governance. The NGO sector recorded significant growth between 2001 and 2007 which could be attributed to the impact of globalization and the opening up of democratic space in Kenya. Since 2001, the sector has been growing at the rate of 400 organizations per year. By August 2009, the Board had registered 6,075 organizations (NGO Co-ordination Board, 2009).

According to Kanyinga (2004), the number of NGOs gives them tremendous potential strength in Kenya; however, they have had some inherent weaknesses that seriously impair this strength. First, the image and credibility of the sector is threatened by its inability to effectively articulate its role or even the problems it seeks to solve. Secondly, the sector is heavily dependent on foreign funding, which raises fundamental questions

regarding sustainability and durability. Thirdly, it is important to understand that, after 1945, most development efforts around the world depended on donor assistance. Therefore, the issue of local resource mobilization is a relatively recent concept. For instance, in Kenya, the Harambee movement has been used to mobilize local resource since 1963, but systematized approach started in 1983, with what came to be known as the'Fourth Development Plan' (Kanyinga, 2004)

The positive impact of increased NGO activity cannot be gainsaid, the sector is increasingly becoming a major player in the provision of basic services. In 2003, it was estimated that the NGO sector was contributing eighty billion shillings annually to the economy. Nevertheless, the expansion also brings with it high risks of potential abuse both for the public who interact with these organizations on a day to day basis as well as overall national security and economic stability. Activities of rogue NGOs pose a direct threat to public safety and can also impact negatively on the economy through acts of fraud, money laundering and financing of terrorism (NGO Co-ordination Board, 2009).

1.2 Research Problem

According to Brooke (2006), although innovation is apparently a premise of significance, it is not suitably fleshed out to a position that many associations are clever to obtain benefit of it. Innovation is not always the solution but yet it can lead to a successive competitive advantage. Despite this, most managers are unable to make out with innovation while it is happening right in front of them. They are facing a lot of difficulty in understanding it from its real point of view. Some make it as a broad process of creativity, others as a simple thought-creation. In addition, most just want to make it done

just for the sake of doing it but fail due to non sufficient allocation of resources to make it possible (Brooke, 2006).

NGOs need innovation every bit as much as commercial sector, for instance in; Fund raising, expanding their reach, mission delivery and also resource utilization. It can be argued that they need it more because they lack the resources and cash flow of large commercial firms.

The NGO environment is changing, the recent past has witnessed the emergence of increased competition in the nonprofit environment and as Gioche (2006) observes, this sector now face a greater existence challenges than ever before. According to the NGO Co-ordination Board survey of 2009, the dependency on external funding by NGOs as evidenced by the survey is worrying and seems to imply that the sector is largely unsustainable. None of the organizations interviewed by them indicated they drew an income from endowments (NCB, 2009). The survey also noted that 118 Million shillings of funding for NGOs was from government agencies and even advocated for partnerships be engaged in by the government, the corporate sector, donors and civil society to come up with innovative ways of promoting local giving to charity.

A number of studies have been done on the nonprofit sector in Kenya (Fowler, 1998; 2000; Ng'ethe, 1992; Kanyinga, 1993; Kanyinga, 2004; Chelogoy et al, 2004). These studies have mainly examined specific aspects of the sector, for example (Gioche, 2006; Okal, 2006) while others have appraised the sector in its entirety (Kanyinga, 2004). There are, as such, few studies that have taken an innovation and competitive strategy orientation. Okal, (2006) investigated how competitive strategies have been adopted in the HIV/AIDS sector in Kenya to cope with increased competition for funding. In the

strategies she discovered, innovation was not mentioned leaving a need for the study of the role that organizational innovation plays in gaining a sustained competitive advantage in the NGO sector.

1.3 Research Objective

The objectives of the study are:-

(i) To establish the extent of organizational innovation among the Nongovernmental organizations in Nairobi, Kenya.

(ii) To determine the role of organization innovation in gaining a competitive advantage.

(iii) To identify the challenges faced in implementation of organizational innovation.

1.4. Value of the Study

The study will generate information that will be used by various stake holders interested in NGOs' performances. It will enable the board of directors and management of NGOs to identify areas of weaknesses that need attention and foster sound strategic choices to deliver maximum social value. The findings will go a long way in identifying the challenges that are experienced by Nongovernmental organizations in service delivery in the current fast growing and turbulent external environment and innovative strategies that can be applied in their context.

It will also help the managements and governments to formulate appropriate policies that will improve decision-making processes in enhancing sustained competitive advantage.

These policies will also be appropriate in enhancing the performance of these organizations and eventually will benefit the society since better service delivery systems will be establish that will assist in combating the society's social and economic issues.

The findings of the study will also help contribute to the stream of research in organizational innovation and competitive advantage and particularly the aspects of linking the two concepts in the context of the nongovernmental organizations. Thus literature on nongovernmental organizations shall be enhanced and new findings highlighted.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The first aim of this chapter is to discuss relevant organizational innovation literature in order to establish a general understanding of the innovation process. Secondly, position the present study within the innovation research literature, in particular, relate it to competitive advantage.

2.2 Definition of Innovation

Innovation was derived from the Latin word 'innovare', meaning 'to make something new'. Although the importance of innovation is increasing these days, understanding the whole concept remains difficult (Szmytkowski, 2005). This is due to the lack of consensus about what the term means. Academic literatures have provided a number of definitions of innovation, each revealing its important aspects. However, the two core aspects of all definitions were concerned with its newness (i.e. first use of new knowledge) and the degree of relativity (i.e. something new in relation to a specific organization). Schumpeter (1934) described innovation clearly in his preceding works as the carrying out of new combination of production means which include the introduction of new goods, new methods and new market. In its broadest sense, innovation is about the creation and implementation of a new idea in a social context with the purpose of delivering commercial benefits.

Innovation can be conceptualized ranging from the wide specific literature developed mainly in the business sector. This literature covers a double-face interpretation of innovation: first as a product (incorporation of an invention into a new product for the

market) secondly as an organizational process (a new way to manage managerial or organizational challenges). The focus of innovation literature varies. Some scholars have analyzed the stages of the innovation process; these allow distinguishing if an organization is a generator or an adopter of innovation (Damanpour, 1992). Other scholars have identified the types of innovation. In this category, three classificatory approaches can be found: They include; first Technical versus Administrative innovation (Damanpour, 1992); Secondly Product versus Process innovation (Daft, 1992) Thirdly Radical versus Incremental innovation (Damanpour, 1996).

In the first classification, technical innovation is directly related with the productive process and is closely linked with the core activity of the organization. Administrative innovation on the other hand is related with the coordination and control of the firm, the structure and management of the organization, the administrative processes, and human resources (Damanpour, 1992). In the second classification, product innovation is about new technology, which allows the development of new products or services aimed at answering a market need, and can therefore increase the firm's power. Process innovation concerns new elements, equipment or methods introduced into the firm's production system to develop a product or service. Under the third classification, innovation can be viewed in terms of the degree of novelty, ranging from a radical, totally new innovation to an incremental innovation involving simple line extensions or minor adaptations/adjustments that are of an evolutionary nature. Incremental innovation is mostly limited to innovations that are new to the developing firm only (Damanpour, 1994; Daft, 1992).

2.3 The systemic nature of innovation

A central finding in the literature is that, in most cases, innovation activities in firms depend heavily on external sources. Hamel (2000) suggests that an innovation competency requires both an internal and external organizational perspective. To develop an innovation competency, the organization must: first have fluid notions of organizational boundaries and an open market for talent. It is not necessary to create all innovations internally. Partnerships can be a useful strategy to promote innovation. Secondly it must transform organizational strategy. Innovation cannot be held to a scheduled strategic planning timeline; it should be on-going. Strategy should not be restricted to the same set of top level decision-makers. Innovative strategy does not necessarily come from the top (Hamel, 2000).

Thirdly, to develop an innovation competency, organizations must create an open market for capital investment and rewards since strategic thinking must not only be encouraged but also sponsored and rewarded. Just as wealth-generating strategies do not come from the strategic planning process, they do not necessarily come from serendipity or a single visionary (Hamel, 2000). The fourth argument is that organizations must manage the risk. Strategy should not be monolithic; it should be sufficiently varied to allow for organizational agility and flexibility. Project risk must be distinguished from portfolio risk—the risk of any new project will be high but if there are enough innovation projects, the portfolio risk will be manageable (Hamel, 2000).

Lastly is that organizations must create a culture and a structure that promotes innovation. Having an elastic business definition helps to ward against protectionist instincts. Senior executives should be directed to spend a significant amount of their time looking for opportunities outside the boundaries of the business they are managing. Deconstruct the dominant mental models regarding business mission, market scope, products and services and question existing biases regarding the kinds of profit boosters (Hamel, 2000).

2.4 The 7 Stages of Innovation

The Management Centre (2009), UK's leading training and consultancy provider working exclusively with not-for-profit organizations developed a seven stage model of innovation process, based on some original Harvard University research, which argues that innovation is a value-adding process with seven distinct stages. Monitoring progress at each stage ensures that one moves from simple creativity (coming up with lots of ideas) to identifying potential (spotting and supporting ideas that may have benefits) to enjoying genuine payoffs (implementing the ideas and then applying the learning).

The first stage is Ideation that is idea generation (MC, 2009). This requires coming up with enough new ideas internally and having an organizational culture that support this. There should also be a creation of a stimulating environment and seeking fiindraising inspiration there. The second stage is Integration that is cross pollination. Here, ideas exchanged between branches or departments or Head offices. There should be a systematic process to ensure this happens, for instance, organizing workshops between different departments and teams. The third Stage is Information, that is external sourcing; under this, environment scanning - commercial and non-commercial -should

be consistently carried out the for new service in order to establish delivery approaches and ideas that can be adapted for example Visiting commercial companies learning and Benchmarking against other charities.

Stage four is Selection, which is identifying ideas (MC, 2009); this is where there should be a systematic process for identifying high potential/high payoff ideas. For instance one can organize a contest with external judges for the ideas. Develop a set of clear and specific metrics for success - and failure. The fifth stage is Support; developing ideas. This addresses the issue of how are ideas assessed and progressed, and the metrics used to establish what has real potential and what isn't going to make it. It is essential to create a team that acts as gardeners or developers who nurture ideas to launch it also needs Delegation of responsibility for idea nurturing to all team leaders and giving them an idea target.

The sixth stage is Launch, that is, diffusion and returns; Here, the main concern is how well are ideas rolled out to supporters, staff or beneficiaries, What expectations of financial and social return do you have and over what period. Create a separate internal "launch" team that acts as salespeople for ideas it didn't invent and then be clear on what the return metrics are - invest fully but reasonably. The final stage is Learning that is establishing what can be improved which refers to how well are successes and failures recognized. How learning is captured and shared across the organization. To ensure this, there should be a wash-up event to identify what worked and didn't and a Review the return metrics (MC, 2009).

2.5 Competitive Advantage

In recent years the concept of competitive advantage has taken center stage in discussions of business strategy. Statements about competitive advantage abound. In reviewing the use of the term competitive advantage in the strategy literature, the common theme is value creation. Porter (1980) says that competitive advantage is at the heart of a firm's performance in competitive markets and goes on to say that purpose of his book on the subject is to show how a firm can actually create and sustain a competitive advantage in an industry—how it can implement the broad generic strategies. Thus, competitive advantage means having low costs, differentiation advantage, or a successful focus strategy. In addition, Porter argues that competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it.

Porter (1980) outlines three generic strategies that firm's may use to gain competitive advantage: cost leadership, differentiation, and focus. A firm utilizing a cost leadership strategy seeks to be the low-cost producer relative to its competitors. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology and preferential access to resources. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry.

A differentiation strategy requires that the firm possess a "non-price" attribute that distinguishes the firm as superior to its peers. The means for differentiation are peculiar to each industry. It can be based on the product itself, the delivery system by which it is sold, the marketing approach and a broad range of other factors. A differentiator,

therefore, must always seek ways of differentiating that lead to a Premium price greater than the cost of differentiating. Firms following a focus approach direct their attention to narrow product lines, buyer segments, or geographic markets. "Focused" firms will use cost or differentiation to gain advantage, but only within a narrow target market. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly (Porter, 1980).

2.6 Innovation and competitive advantage

Innovation and competitive advantage are connected by complex and multidimensional relationships. According to Miller (1989), demands for organizational innovation and technological advantage are increasingly crucial components of competitive strategy for many firms. Most firms face serious competitive challenges due to the rapid pace and unpredictability of technology change (Ansoff, 1988). Innovation helps an organization develop competitive advantage either through relative differentiation, relative low cost positioning or focus (Porter, 1985).

Several common themes emerge repeatedly across studies to suggest that the link between innovation activities and competitive advantage rests primarily on four factors; One, innovations that are hard to imitate are more likely to lead to sustainable competitive advantage (Porter, 1985). Two, innovations that accurately reflect market realities are more likely to lead to sustainable competitive advantage (Porter, 1985). Three, innovations that enable a firm to exploit the timing characteristics of the relevant industry are more likely to lead to sustainable competitive advantage (Kanter, 1983). Fourth, innovations that rely on capabilities and technologies that are readily accessible

to the firm are more likely to lead to sustainable competitive advantage (Ansoff, 1988). The foregoing shall take a deep look at these for factors.

The first factor is instability. According to Porter (1985), the less a strategy can be imitated, the more durable the source of competitive advantage. Given the array of capabilities needed to sustain effective corporate entrepreneurship, innovation provides an attractive source of competitive advantage if it creates positive synergy for the firm. Similarly, if the innovation process or the outcomes of innovation are difficult to copy, effective corporate entrepreneurship becomes an increasingly important ingredient in sustaining competitive advantage. Lawless & Fisher (1990) suggest that, product form, function, pricing, and distribution offer potential avenues for reducing imitability for innovative firms. Others argue that managerial innovations, such as the strategic management of human resources (Lengnick-Hall, 1988), or information-based innovations, such as new market research techniques (Tornatzky & Solomon, 1985), provide more durable routes to competitive positioning than can be gained from product innovations. Yet others (Spencer & Triant, 1989) recommend that firms only specialize in developing technologies that have pivotal importance to their business in order to protect imitability of key competitive elements. The common thread is identifying outcomes that are difficult for other firms to replicate.

The second factor outlines that those innovations that accurately reflect market realities are more likely to lead to sustainable competitive advantage (Porter, 1985). A recurring theme in the examination of innovation and competitive advantage is the importance of

acting upon market realities. Porter (1985) observes that, market issues and opportunities are largely driven by customer value chains. The customer's expectations can be observable, unmet needs. Innovations of this type often rely on applying modifications of existing technologies in new ways for new markets. Market realities introduce two related, but distinct requirements for successful corporate entrepreneurship. First, creativity should embrace important and attractive elements in the potential consumer's value chain. Innovations must have an application that is desired, reasonably pervasive, and of some threshold utility to generate a competitive advantage. Second, innovations should omit trivial or undesirable features. Therefore, to ensure that important and desirable features are included in the product and/or service, the innovator must be focused on the customer. Customer-driven innovation is a common thread among quality gurus like Deming (1986) and Crosby (1979).

A third element linking innovation and competitive advantage is timing. Kanter, (1983) observes that innovations that enable a firm to exploit the timing characteristics of the relevant industry are more likely to lead to sustainable competitive advantage. The definition and implementation of a firm's product/market strategy often reflects timing considerations (Hambrick, 1982). Timing can have a substantial influence on the cost of a venture (Porter, 1985). Markets driven by brand identification may offer important first-mover cost advantages. In these industries, being first enables a firm to gain committed customers before competitors are actively engaged. Timing may introduce a meaningful source of uniqueness or effective cost leadership (Teece, 1987). Being first can enable a firm to gain valuable experience before their competitors. As Porter (1985) argues, competitive timing is closely linked with market conditions. Early follower advantages

often result from the high levels of uncertainty accompanying technological substitution (Robert & Berry, 1985). Undue caution in circumstances offering first-mover advantages or premature introduction in situations according follower advantages lead to timing mistakes. On the other hand, innovation activities effectively timed to suit industry conditions can be a valuable tool in the competitive arsenal.

The fourth theme shaping the relationship between innovation and competitive advantage is specific organizational capabilities. Effective exploitation reflects a wide range of competencies. Teece (1987), for example, argues for control of assets that complement a new concept. Ansoff (1988) suggests that effective entrepreneurial strategies are dependent on deterring price sensitivity in the marketplace. Damanpour & Evan, (1984) contend that cross-functional and cross-product integration and continual organizational learning are mandatory competencies for effective innovation exploitation. Effective management of resource allocations is an essential competence (Kanter, 1983). Many of these abilities signal an interest in developing potential synergies. Innovations that create markets require extensive promotional talents, intra-organizational networks to build the needed infrastructure (Porter, 1985), and sufficient organizational and human commitment to overcome delays and resistance (Kanter, 1983).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section describes in detail the research design, the target population, the sampling method used, data collection criteria, and finally data analysis.

3.2 Research Design

A survey method was used to collect data from a cross-section of Health focused Nongovernmental organizations that operate and have their head offices in Nairobi region, in order to determine their current status in relation to organizational innovation. The study was focused on NGOs that are registered by the NGO Coordination Board and operating or have head offices in Nairobi region. A survey method was suitable because it enabled the investigation of a broad category of related objects for the purposes of measurement and comparison of the outcomes as is the intention of this study.

3.3 Population

The population of interest in this study comprised of Kenyan NGOs, registered by the NGO Coordination Board, operating in Nairobi region, being the capital city of the Nation. According to the NGOs Co-ordination Board, by September 2011 there were about a total of 2680 registered NGOs operating in Nairobi region, the study narrowed its focus down to those NGOs that their focused is on health. There were approximately 1060 NGOs that are specifically health focused. These are the organizations that formed the population of interest to the study.

3.4 Sampling

The study used non probability (purposeful) and probability (Systematic) sampling techniques to create a sampling frame. Dane (1990) points out the advantage of purposeful sampling as it allows the researcher to home in on wide variety of population. This technique enabled identification of organizations that have formal contact details and possess high population densities of all. For instance selection of those mainly in Nairobi and focused on health and that have formal addresses and contact details as the first selection criteria. These were about 1060 Health focused NGOs, these formed the sampling frame.

The second stage adopted systematic sampling technique. A sample size of 278 respondents was taken from the sampling frame having satisfied the selection criteria. The selection of the sample size was based on Krejcie and Morgan's (1970) table for determining sample size (Appendix III). The sample size was deemed suitable, as the sample population will approximate the qualities and characteristics of the general population.

Systematic sampling technique was used since the population of study was available as a list derived from the NGO bureau. The NGOs were arranged randomly and since the population frame was 1060 and sample size of 278 was needed, the interval between selections arrived by dividing 1060 by 278, which gave approximately 4. Therefore a random starting point was picked between 1 and 4 and thereafter every 4^{lh} NGO was picked in order to ensure each has an equal chance. Officials of NGOs and the contact persons were identified within each of the selected organizations and asked to complete the Questionnaire.

3.5 Data Collection

The study used mailed questionnaires as the data collection tool. A structured questionnaire specifically developed for the study was mailed to program managers and directors of the selected organizations. The Research objectives formed the structure of the questionnaire and consisted of closed-ended, multiple choice, check boxes, Yes or No questions and questions in which the respondents gave their ratings. First section of questionnaire consisted of basic organizational background information; second part consisted of questions assessing extent of organizational practices and procedures taken and competitive advantage and last section consisted of questions determining the challenges faced in innovation practices.

3.6 Data Analysis

Returned questionnaires were checked for errors. A coding scheme was developed and entered into the Statistical Package for Social Sciences (SPSS). Data was then analyzed using descriptive statistics, where frequencies, percentages and means were calculated and data results presented. Relationships among variables were compared and interpretations made.

CHAPTER FOUR: RESEARCH FINDINGS

4.1 Introduction

This chapter section presents and discusses the analysis of data collected from various respondents who filled the questionnaires. Results of the data analysis provided information that formed the basis for discussion, conclusion, and interpretation of the findings and recommendations of the study.

4.2 Response Rate

According to the NGO Coordination Board's Register at the time of the survey, there were 1,060 registered NGOs compared with 186 that were interviewed. A total of 278 questionnaires representing the sample size, were administered to various organizations via email, and mailed questionnaires based on the contact details provided on their information in the NGO co-ordination board. The respondents were given a time frame of about two weeks to enable them respond. Follow up mails were sent to remind them.

However, only 186 questionnaires representing a response rate of approximately 67% were returned. This implies that, only 67 per cent of NGOs registered with the Board could be traced, 33 per cent could not be traced and did not participate in this survey. It can be inferred that these organizations had either ceased operations without informing the Board (as required by law), had filed wrong information on their areas of operation and address including telephone numbers and email addresses were invalid or were inactive. Some did not have a physical address hence had to be excluded since one of the requirement was a valid physical address.

Others did not offer any response whatsoever. Two questionnaires were eliminated because of excessive amounts of missing information and were therefore invalid for analysis.

4.3 Basic demographic profile of NGOs Interviewed

Part one of questionnaire sought information on basic organizational information such as the length of operation, nature of output and status whether subsidiary or independent. Regarding length of operation, data obtained indicates that the NGOs that have been in existence for more than seven years were the more with 41.9 percent, followed by those that have been in existence between 4 and six years with 31.2 percent and finally NGOs that have been in existence for less than three years comes last at 26.9% as indicated on Table 1 below.

Table 1: Length of operation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Above 7 years	78	41.9	41.9	41.9
	Between 4-6years	58	31.2	31.2	73.1
	Below 3 years	50	26.9	26.9	100.0
	Total	186	100.0	100.0	

Source: (Author, 2011)

The respondents were also asked to indicate who mainly is involved in organizational innovation process in their organizations. The data results show that 55.9 percent indicated top managers, all employees come second with 37.6 percent, CEO and development partners come third and fourth with 5.9 and 0.5 percent respectively. The results are indicated in Table 2 below.

Table 2: Who is involved in Organization Innovation Process

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CEO	11	5.9	5.9	5.9
	Top Managers	104	55.9	55.9	61.8
	All Employees	70	37.6	37.6	99.5
	Development Partners	1	.5	.5	100.0
	Total	186	100.0	100.0	

Source: (Author, 2011)

Regarding the nature of output of the organization's operations, the respondents were asked to indicate whether the organization's output was mostly products, products and services or mostly services. The results as indicated in Table 3 below show that most those that deal with mostly services come first at 67.2% followed by products and services at 32.8%. There was no NGO that dealt with mostly products.

Table3: Output of the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Products and services	61	32.8	32.8	32.8
	Mostly Services	125	67.2	67.2	100.0
	Total	186	100.0	100.0	

Source: (Author, 2011)

With regards to Status of organization's operations, the respondents were asked to indicate whether the organization was either independent or a subsidiary of an international organization, the results indicated that those that are independent had a

higher percentage of 55.9 percent followed by those that are a subsidiary of an international organization with 44.1 percent as indicated in the Table 4 below.

Table 4: Status of operation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Independent	104	55.9	55.9	55.9
	Subsidiary	82	44.1	44.1	100.0
	Total	186	100.0	100.0	

Source: (Author, 2011)

The respondents were also required to indicate an estimate of percentage budget allocation to Research & Development and Innovation. The results indicated that 37.6 percent of NGOs had a budget allocation of between 50 to 75% followed by those with a budget allocation between 25 to 50% percent with 30.1 percent. Those with below 25% and between 75 to 100% come third and fourth with 22 and 10.2 percent respectively.

Table 5:Budget allocation to R&D and Innovation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25%	41	22.0	22.0	22.0
	25-50%	56	30.1	30.1	52.2
	50-75%	70	37.6	37.6	89.8
	75-100%	19	10.2	10.2	100.0
	Total	186	100.0	100.0	

Source: (Author, 2011)

Regarding the organization's turnover/funding attributable to innovations launched within the last three years, the respondents were asked to indicate an estimated percentage of the organization's turnover/funding that is attributed to innovations launched within the last three years.

The results as indicated in table 6 below show that those with 50-75% come first with 57 percent, those with 25-50% percent come second with 20.4 percent. Those with below 25% and 75-100% come third and fourth with 10.8 and 11.8 percent respectively.

Table 6: Turnover/Funding attributed to Innovation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25%	20	10.8	10.8	10.8
	25-50%	38	20.4	20.4	31.2
	50-75%	106	57.0	57.0	88.2
	75-100%	22	11.8	11.8	100.0
	Total	186	100.0	100.0	

Source: (Author, 2011)

4.4 Introduction of a new process/activity/procedure.

The respondents were asked to indicate whether the organization had introduced; new business practices for organizing procedures, new methods of organizing work responsibilities and decision making and finally new methods of organizing external relations with other firms or public institutions. The results are presented in table 7 below

Table7: Introduction of a new activity in (lie last three years

New activity introduced	Responses				Total Response
	YES		NO		
	Freq	%	Freq	%	
New Business practices for Organizing Procedures	122	65.6	64	34.4	186
New Methods of organizing work responsibilities and decision-making	146	78.5	40	21.5	186
New methods of organizing external relations	114	61.3	72	38.7	186

Source: (Author, 2011)

From table 7 above, under introduction of new business practices for organizing procedures YES had a higher percentage of 65.6 percent while NO had a rating of 34.4 percent. With regards to new methods of organizing work responsibilities and decision-making, YES had a higher percentage of 78.5 percent while NO had a percentage of 21.5 percent. Respondents were also asked regarding introduction of new methods of organizing external relations, YES had a higher percentage of 61.3 percent while NO had a percentage of 38.7 percent as indicated on table 7 above.

A further summary of the introduction of new activities within the last three years by the organizations using mean scores has been done and is presented as below

Table 8 Introduction of a new organizational activity/Processes

New Activity	N	Mean	Std. Deviation
New Business practices for Organizing Procedures	186	1.3441	0.47635
New Methods of organizing work responsibilities and decision-making	186	1.2151	0.41197
New methods of organizing external relations	186	1.3871	0.4884
Valid N (listwise)	186		
Grand Mean		**1.3154**	

Source: (Author, 2011)

From the table it can be observed that most organizations have at least introduced new methods of organizing external relations. This is depicted by a higher mean score of 1.3871, followed by introduction of New Business practices for Organizing Procedures with 1.3441 while introduction of New Methods of organizing work responsibilities and decision-making was least practiced as evidenced by the low mean score of 1.2151.

4.5 Ratings of extent of Innovation processes by NGOs

The study sought to establish the extent of innovation processes/activities in the health NGOs. Respondents were asked to rate the extent of agreement with the statements based on the scale options of; l(To no extent) to 5 (To a very large extent). These questions were randomly arranged and were aimed at analyzing the 6 innovation stages namely ideation, Integration, Information/external sourcing, Selection, Support, Launch and finally Learning. The results of these ratings are summarized using the mean scores, where the mean score represents the overall rating on the extent of agreement with the statement on innovation activities. A mean score of 3 or above indicates high extent of agreement with the statement in that given aspect.

The results indicate that, most health NGOs that participated in the survey practice innovation activities and processes in their operations, though not to a large extent. This is depicted by the grand mean score of 3.3719. Openness to learning from competitors and other industry/sectors stands out as a greatly practiced activity with a mean score of 4.2473. Other activities as shown on table 9 below are; undertaking of consistent environmental scanning for new ideas (3.8978). Support to innovation champions to

implementation (3.7796), Celebration and rewarding innovation (3.6613), Encouragement by senior Management (3.6452), Leaders in different functional areas working together (3.634), Penetration of all channels and beneficiaries with new services (3.5968), and supportive culture of innovative thinking and generation of new ideas (3.5968).

Table 9: Mean Ratings on Extent of Innovation processes by NGOs

Innovation Processes/Activities	**N**	**Mean Score**	**Std. Deviation**
Leaders in different functional areas working together	186	3.6344	1.16512
Breakdown of barriers between departments for exchange of ideas	186	3.2796	.72583
A formal approach for identifying high payoff ideas	186	2.9785	.99162
Creative meetings that produce truly innovative results	186	3.3710	.91061
Mission statement mention creativity/innovation	186	1.9892	1.01337
Organization actual performance in making innovation happen	186	2.9570	1.11901
Successful development of new processes/solutions getting to the market/Beneficiaries	186	3.3602	1.03157
Existence of formal programs for innovation	186	3.1989	1.09948
Existence of quantified goals for innovation and future performance	186	3.4301	.88712
Culture supportive of innovative thinking and generation of new ideas	186	3.5968	.84712
Support to innovation champions to implementation	186	3.7796	.80526
New approaches/processes/ideas being copied by other organizations	186	2.6989	.86724
Celebration and rewarding innovation	186	3.6613	1.01252
Encouragement by senior Management	186	3.6452	.85291
Penetration of all channels and beneficiaries with new services	186	3.5968	.85979
Openness to learning from competitors and other industry/sectors	186	4.2473	.69213
Undertaking of consistent environmental scanning for new ideas	186	3.8978	.89762
Grand Mean		**3.3719**	

Source: (Author, 2011)

It can also be observed that mission statement mentioning creativity/innovation stood out as the least innovation practice/activity among all. Those that scored low mean score and are least practiced include Creative meetings that produce truly innovative results, existence of quantified goals for innovation and future performance, existence of formal programs for innovation, Successful development of new processes/solutions getting to the market/Beneficiaries, Breakdown of barriers between departments for exchange of ideas, A formal approach for identifying high payoff ideas, organization actual performance in making innovation happen, New approaches/processes/ideas being copied by other and finally organizations.

This data was further analyzed and categorized into the 7 stages of Innovation according to the management center, that is, ideation, integration, information, selection, support, launch/diffusion and finally learning. From the table it is observed that most NGOs are undertake Stage three, that is, External Sourcing/Information activities to a great extent as evidenced by the grand score of 4.0726. This is followed closely by Stage two, that is, integration with 3.3709, learning activities comes third with a grand mean of 3.6291. Stage four; idea generation with 3.621, Selection with a grand mean of 3.2599. Stage six; Launch activities and Stage five; Support activities and come second last and last with grand means of 3.0296 and 2.9086 respectively.

The information is presented in the Table 10 below;

Table 10 Mean Ratings on innovation activities according to 7 Innovation Stages

Stage	Innovation Processes/Activities	Mean Score	Std. Deviation
Ideation Phase	Culture supportive of innovative thinking and generation of new ideas	3.5968	.84712
	Encouragement by senior Management (it's ok to fail)	3.6452	.85291
	Grand Mean	**3.621**	
Integration Phase	Leaders in different functional areas working together	3.6344	1.16512
	Breakdown of barriers between departments for exchange of ideas	3.2796	.72583
	Existence of formal programs for innovation	3.1989	1.09948
	Grand Mean	**3.3709**	
External Sourcing/ Information	Openness to learning from competitors and other industry/sectors	4.2473	.69213
	Undertaking of consistent environmental scanning for new ideas	3.8978	.89762
	Grand Mean	**4.0726**	
Selection Phase	A formal approach for identifying high payoff ideas	2.9785	.99162
	Creative meetings that produce truly innovative results	3.3710	.91061
	Existence of quantified goals for innovation and future performance	3.4301	.88712
	Grand Mean	**3.2599**	
Support Phase	Mission statement mention creativity/innovation	1.9892	1.01337
	Organization actual performance in making innovation happen	2.9570	1.11901
	Support to innovation champions through to implementation	3.7796	.80526
	Grand Mean	**2.9086**	
Launch Phase	Successful development of new processes/solutions getting to the market/Beneficiaries	3.3602	1.03157
	New approaches/processes/ideas being copied faster by other organizations	2.6989	.86724
	Grand Mean	**3.0296**	
Learning Phase	Celebration and rewarding innovation	3.6613	1.01252
	Penetration of all Possible channels and beneficiaries with new services	3.5968	.85979
	Grand Mean	**3.6291**	

Source: (Author, 2011)

4.6 Organizational Innovation Activities/Processes and Competitive Advantage.

In order to get a clearer comparison between these two variables; organizational extent activities/processes and competitive advantage, a further analysis was done by categorizing the organizations according to the length of service, then analyzing the extent of innovation activities by comparing their grand means. The same was done for competitive advantage by analyzing the competitive advantage ratings of the three categories, that is, below 3 years, between 4and 6 years and above 7 years.

The results are presented in tables 11 a and 11 b below. From the results, those organizations that have been in operation for a longer time above 7 years undertake a higher extent of organizational innovation activities as depicted by higher grand mean of 3.3944.They are followed by those of below three years with a grand mean of 3.36. Organizations that have been in operation for a period of between 4 and 6 years have the least grand mean score of 3.1532 hence are found to be the least in terms of extent of innovation activities.

The grand means at the bottom represent the average of the mean ratings for the individual innovation activities where respondents were asked to rate based on a scale of l(To no extent) to 5(To a very large extent). This helps in giving a point of comparison between the organizational profdes.

Table 11a: Organizational innovation activities and length of service

Innovation Activity/Process	Below 3 Years	Between 4-6 Years	Above 7 Years
	(Mean)	(Mean)	(Mean)
Leaders in different functional areas working together	3.7400	3.5000	3.6667
Breakdown of barriers between departments for exchange of ideas	3.3000	3.2759	3.2692
A formal approach for identifying high payoff ideas	2.8200	3.0862	3.0000
Creative meetings that produce truly innovative results	3.2200	3.3276	3.5000
Mission statement mention creativity/innovation	1.9000	1.9310	2.0897
Organization actual performance in making innovation happen	2.9200	2.8448	3.0641
Successful development of new processes/solutions getting to the market/Beneficiaries	3.4400	3.3793	3.2949
Existence of formal programs for innovation	3.0400	3.0862	3.3846
Existence of quantified goals for innovation and future performance	3.6000	3.2931	3.4231
Culture supportive of innovative thinking and generation of new ideas	3.6600	3.5690	3.5769
Support to innovation champions to implementation	3.8400	3.8276	3.7051
New approaches/processes/ideas being copied by other organizations	2.6000	2.7931	2.6923
Celebration and rewarding innovation	3.5800	3.7586	3.6410
Encouragement by senior Management	3.6200	3.6207	3.6795
Penetration of all channels and beneficiaries with new services	3.6600	3.5690	3.5769
Openness to learning from competitors and other industry/sectors	4.3000	4.2241	4.2308
Undertaking of consistent environmental scanning for new ideas	3.8800	3.8966	3.9103
Grand Mean scores	**3.36**	**3.1532**	**3.3944**

Source: (Author, 2011)

As explained before, the study also sought to establish the relationship between the demographic profiles of the organizations and the ratings for competitive advantage, the results of which are illustrated on Tables 1 la and 1 lb.

Table 1ib: Competitive advantage elements and length of service

Competitive Advantage elements	Above 7 Years Mean	Between 4 to 6 Years Mean	Below 3 Years Mean
Possession of Unique of products/services/process	3.4231	3.1379	3.2600
Innovations that reflect market realities/Societal issues	3.5897	3.4483	3.4600
Products/services that observe timing in responding to emerging social issues	3.4103	3.1724	3.3800
Better organizational capabilities in the industry/sector	3.1923	3.0517	3.1400
Grand Means	3.4039	3.2026	3.31

Source: (Author, 2011)

From the information on the Table 13b above, those organizations that have been in operation for a longer time above 7 years posses a higher competitive advantage based on the ratings as depicted by higher grand mean of 3.4039. They are followed by those of below three years with a grand mean of 3.31. Organizations that have been in operation for a period of between 4 and 6 years tended to posses the least grand mean of 3.2026 hence are found to posses the least competitive advantage.

4.7 Ratings on Challenges faced in Innovation activities.

The respondents were asked to rate the extent of effect the listed factors are, as challenges affecting innovation activities or projects or decision not to innovate.

The ratings were based on a scale of 4(High) to l(Not experienced). The results of this are summarized using mean scores where the mean score represents overall rating of the challenge. A mean of 2.5 or above indicate a higher extent to which the factor is a challenge while a mean of below a lesser extent.

Table 12: Ratings on factors as challenges to Innovation activities

Factor	Elements	Mean	Standard Deviation
Cost Factors	Insufficient funds within the organization	2.8602	.90752
	Insufficient funding from outside sources	2.6774	.84035
	Innovation costs too high	2.0968	1.07617
	Mean	**2.5448**	
Knowledge Factors	Lack of qualified personnel	2.1667	.88175
	Lack of information on technology	1.5699	.62208
	Lack of information on markets	1.9247	.89728
	Difficulty in finding cooperation partners	2.3568	.75345
	Mean	**2.0045**	
Market Factors	Market dominated by established Enterprises	2.0108	.99180
	Uncertain demand for innovative goods/services	2.2581	.89326
	Need to meet Government Regulations	2.4194	.71769
	Excessive Perceived economic risks	2.4301	.86240
	Mean	**2.2796**	
Reasons Not to Innovate	No need due to prior innovations	1.9946	1.02138
	No demand for innovations	1.2688	.45654
	Mean	**1.6317**	
General Grand Mean		**2.1565**	

Source: (Author, 2011)

The results from table 14 above indicate that cost factors pose a big challenge to innovation activities as indicated by the highest mean rating of 2.5448. In cost factors, insufficient funds within the organization as the greatest challenge that faces innovation activity with the highest mean of 2.8602. This is followed by insufficient funding from outside sources with a mean of 2.6774.

Market factors were the second greatest challenges hampering innovative activities as evidenced by high mean rating of 2.2796. Challenges inside market factors include excessive Perceived economic risks with a mean of 2.4301, Need to meet Government Regulations 2.4194, uncertain demand for innovative goods/services 2.2581 and Market dominated by established Enterprises 2.0108.

Knowledge factors comes third as challenges and these include; Difficulty in finding cooperation partners with a mean of 2.3568, Lack of qualified personnel 2.1667, Lack of information on markets 1.9247 and Lack of information on technology 1.5699. the other challenge were other uncategorized reasons not to innovate which seemed not to be much of a challenge as evidenced by the lowest mean rating of 1.6317, factors here include no need to innovate because of no need due to prior innovations with a mean of 1.9946 and finally no demand for innovations with a mean of 1.2688.

4.8 Discussion

The findings reveal that innovation, as a competitive strategy is to a significant extent applied by NGO organizations. The challenges faced by these NGOs in application of innovation are similar to those highlighted in for profit sector studies. This information is consistent with previous innovation strategy studies for instance Gitonga, 2003, Ikuni, 2006, Odhiambo, 2008, Gathati, 2009, Karanja, 2009, Lusweti, 2009 and Mwarangu, 2009. These looked at innovation from the commercial (for profit) point of view in developing competitive advantage. Findings by Lydiah Deborah Okal 2006specifically in HIV/AIDS NGOs revealed that these organizations greatly use competitive strategies in order to raise funds and research. She found cost leadership and differentiation strategies greatly used and innovation, is a differentiation strategy. With regards to challenges, Gioche 2006 found changes in donor demand a great challenge; this also came out as a significant challenge since in an effort to fulfill donor requirements, Health NGOs exercise minimal innovation activities due to costs, financial and donor requirements. In summary, NGOs apply innovation just as the commercial sector although to some extent, the implementation challenges are also similar although NGOS are greatly affected by cost factors and influence of third parties (donors). However market factor is a common factor in both sectors are revealed by the studies.

CHAPTER FIVE: SUMMARY, CONCLUSION, RECOMMENDATION AND SUGGESTION FOR FURTHER STUDY

5.1 Introduction

This is the final chapter of this study. It highlights the summaries of findings, discussions, recommendation for policy and practice and suggestions for further study.

5.2 Summary of findings

The first objective of this study sought to establish the extent of organizational innovation among the Health NGOs in Nairobi, Kenya. The results of which indicate that generally there is indeed some significant level of innovation activities among the Health NGOs in Nairobi. This is evidenced by the grand mean of 3.3719. On further analysis, the study results found out that (Table 11), openness to learning from competitors and other industry/sectors stands out as a greatly practiced activity with a mean score of 4.2473. Activities that scored a higher mean score and are greatly used are; undertaking of consistent environmental scanning for new ideas, support to innovation champions to implementation, leaders in different functional areas working together, penetration of all channels and beneficiaries with new services, celebration and rewarding innovation, encouragement by senior management, and supportive culture of innovative thinking and generation of new ideas.

However it was apparent from the findings that the existence of organizational mission statements mentioning creativity/innovation stood out as the least innovation practice/activity among all. This is rather perturbing as generally speaking mission statement is what gives direction to the organization in achieving its vision. Other

activities that scored low mean score and are least practiced include Creative meetings that produce truly innovative results, existence of quantified goals for innovation and future performance, existence of formal programs for innovation, successful development of new processes/solutions getting to the market/beneficiaries, breakdown of barriers between departments for exchange of ideas, a formal approach for identifying high payoff ideas, organization actual performance in making innovation happen, and new approaches/processes/ideas being copied and launched faster by other organizations.

In order to get a clearer perspective of extent of organizational activities/processes, an analysis was done by categorizing the innovation activities according to the 7 stages of innovation in order to identity the weaknesses/strengths in the process. In view of these findings, it is quite clear stage three that is, external sourcing, also known as information stage is very significantly practiced. Most of the NGOs are not only open to learn from competitors and other industry/sectors but also, they undertake consistent environmental scanning for new ideas for funding and problem solving. It is also evident that the problem lies with the support and launch phase which had a low mean score ratings. That even though many come up with new innovative ideas, getting them out to the beneficiaries or market is the big issue.

The second objective sought to determine the role of organization innovation in gaining a competitive advantage among the health NGOs in Nairobi, Kenya. In order to get a clearer comparison between these two variables; organizational extent activities/processes and competitive advantage, an analysis was done by categorizing the organizations according to the length of service, then analyzing the extent of innovation activities by comparing their grand means. The same was done for competitive advantage

by analyzing the competitive advantage ratings of the three categories, that is, length of service (Tables 1 la and 1 lb).

From the results, those organizations that have been in operation for a longer time above 7 years undertake a higher extent of organizational innovation activities as depicted by higher grand mean of 3.3944. This could be attributable to financial, resource muscle and experience that they have had hence exercise significant innovation activities. These were followed closely by those of below three years with a grand mean of 3.36. It can be inferred that these are new organizations, haven't been in existence for a long time and probably are still having good financial and resource base. They are organizations that are in the growth stage of a company life cycle hence tend to also have significant innovation activities.

It is however, surprising that those organizations that have been in operation for a period of between 4 and 6 years have the least grand mean score of 3.1532 hence found to be the least in terms of extent of innovation activities. The period 4 to 6 years in an organizational lifecycle, is the maturity stage. This can be explained that these are organizations that are have matured, as was indicated by some respondents that once the organization has grown, stabilized and achieved most of the objectives defined at the onset, most top officials and individuals move out to start their own similar activities separately, it's this destabilizations and unsettlement that results in them performing badly when it comes to innovation activities as most are grappling with financial muscles and appropriate personnel.

A similar analysis was done but this time to establish the relationship between the demographic profiles of the organizations (length of service) and the ratings for competitive advantage, the results of which are presented on Table 11 b. The results first indicated that those organizations that have been in operation for a longer time above 7 years posses a higher competitive advantage based on the ratings as depicted by higher grand mean of 3.4039. It can be remembered that the same organizations also scored higher in ratings on extent of innovation activities. They are followed by those of below three years with a grand mean of 3.31. While organizations that have been in operation for a period of between 4 and 6 years tended to posses the least grand mean of 3.2026 hence are found to posses the least competitive advantage.

It is evident that the results are consistent for both attributes, those organizations that scored higher in ratings for innovation activities also scored higher in competitive advantage and vice versa. We can therefore conclude that there exists a positive and significant relationship between the extent of innovation activities undertaken by an organization and its competitive advantage in the industry.

The third objective of this study sought to find out the challenges faced in implementation and practice of the concept of organizational innovation in NGOs.

The study found out that (Table 12) generally cost factors acted as the greatest hindrances to innovation activities. For instance, insufficient funds within and from sources outside the organization was the greatest challenge that faces innovation activity. Many are limited by funding within the organizations in an effort to undertake innovative activities. Some respondents observed that in most cases, funds are usually received and strictly allocated to specific programs that were mentioned in the written project proposals for

the programs; hence therefore, there was no excess to direct to other innovative activities. As observed by most respondents, that when they write proposals for instance for malaria treatment, they are required to elaborate how many patients they can handle, costs of drugs, salaries and wages and other overhead costs. Everything is calculated and disclosed upfront, and for the proposal to be approved, some "unnecessary" costs are cut out. Hence they receive exact allocations as per approved proposals; this hampers room for innovative activity.

The second biggest challenge was market factors for instance Market dominated by established Enterprises and uncertain demand for innovative goods/services. Excessive Perceived economic risks also posed as a challenge. Generally, innovation is perceived as capital investments in technological activities and know-how, this is misleading. From our previous definition, in its broadest sense, innovation is about the creation and implementation of a new idea (new goods, services, methods or markets) in a social context with the purpose of delivering commercial benefits. Excessive Perceived economic risks hamper innovation activities as most considered is as risk taking and given the nature of the NGO's economic model of being between beneficiaries(society) and Donors(Suppliers of funds) many do not are risk averse.

The least three factor challenges are; No need because of no demand for innovations, lack of information on technology and then, no need due to prior innovations. These are factors that are not significant enough to warrant the NGOs not to undertake innovative

activities. It therefore becomes clear from the study that funding and perceived economic risks came out significantly as the biggest challenges that hampered innovation activities.

5.3 Conclusion

From the research findings and answers to the research questions, some conclusions can be made about the study.

All NGOs that participated in the study are aware of innovation concept. A significant number of Health NGOs undertake innovation activities to a larger extent with those in operation for a longer period undertaking a greater extent of innovation. All NGOs scored highest in Information (external sourcing) that is, scanning the environment for new ideas and approaches that could be adapted to suit the organization. All NGOs also scored highly in Ideation (idea generation) and learning. They however scored particularly low in Launch (diffusion and returns), Selection (identifying ideas to take forward) and Support (developing ideas into offerings).

These NGOs are faced by the challenge of undertaking consistent and systematic innovation activities. In most cases, senior top managers are the ones undertaking innovation activities. It's also illustrated from the findings that innovation leads to competitive advantage; this was evidenced by the consistence in the results that established that those organizations that possessed higher ratings in extent of innovation activities also subsequently tended to possess a greater competitive advantage than their counterparts.

This study shows that NGOs have no problem in coming up with new and exciting ways to raise funds, but it is a real challenge to bring these ideas to fruition. NGOs are willing

to innovate but funding and perceived economic risks pose as the greatest challenges. Generally speaking, cost factors are a greater challenge followed by market factors, knowledge factors and finally other reasons not to innovate

5.4 Recommendations

The study found out that there is the will to innovate but there seems to be a problem with funding, correct procedures to follow as well as need for senior/top management to cultivate innovation culture and be advised that innovation is not only a reserve for the senior management alone but all employees. These organizations should be encouraged to go beyond the fear of the perceived economic risks and to take risks in coming up with new innovative ideas that have a commercial value. They should be made not to expect too much of innovation -thinking that it will bring instant results and underestimating the timescales and investment needed. NGOs should also not consider innovation as a stand-alone department or area of work; rather, they ought to embed and integrated it as a core competency throughout the organization and its workforce.

5.5 Suggestions for further research

A further study could be carried out to establish the concept of innovation measurement in order to develop and validate a measure for organizational innovation activities and outcomes. This would be significant in addressing the need to capture both the degree and type of innovation, operationalising organizational innovation as a multidimensional construct, as well as the synergistic influence of innovation types on performance outcomes.

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APPENDIX I LETTER OF INTRODUCTION

UNIVERsnY OF NAIROBI

SCHOOL OF BUSINESS

S4BA PROGRAM - LOWES KABETE CAIIfUS

T«lephon«: 020-20*9)62
Telegrams: "Varsity", Nairobi
Tekx: 2209SVat>ily

P.O. Box 301i>7
Naiiubp, K enyj

DATE...{.$.....-f.G. P.r. ...!?P./.!.:

TO WHOM IT MAY CONCERN

The bearer of this letter .*Cr.* . . . . *Sf>&&.....)/sJ.fi.F.tf.Lk*

Registration No: . T^?.h.f...t.j.za.t.'.I.ZD.*0!.

is a Master of Business Administration (MBA) student of the University of Nairobi

He/she is required to submit as part *of* his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

APPENDIX II QUESTIONNAIRE

This questionnaire is aimed at determining the extent of innovation activities among nongovernmental organizations and the challenges faced in innovation processes. Filling it takes less than 15 minutes. Your assistance in completing will highly be appreciated.

1. What is your organization's area of specialization

2. What is the length of operation your organization
   - o Above 7 years
   - o Between 4-6 years
   - o Below 3 years

3. Who is mainly involved in the organizational innovation process in the organization:
   C CEO C Top Managers r All employees C Development partners
   C Others (specify)

4. How would you describe the output of your business?
   - o Mostly products
   - o Products and services
   - o Mostly services

5. How would you describe the status of your business operations?
   - o Independent
   - o Subsidiary

6. What percentage of your company's budget is allocated to R&D or Innovation?
   - o 75-100%
   - o 50-75%
   - o 25- 50%
   - o Below 25%
   - o None

7. What percentage of your company's turnover is accounted for by innovations launched within the last three years?
   - o 75-100%
   - o 50-75%
   - o 25- 50%
   - o Below 25%
   - o None

8. Indicate whether during the last three years, your organization introduced;

(Please Tick V where appropriate)

New Activity	YES	NO
• New business practices for organizing procedures like supply chain management, business re engineering, knowledge management, lean production, quality management		
• New methods of organizing work responsibilities and decision-making e.g. teamwork, decentralization, education/training systems, integration		
• New methods of organizing external relations with other firms or public institutions that is first use of alliances, partnerships, outsourcing or subcontracting		

SECTION B: INNOVATION PROCEDURES AND CHALLENGES

Please indicate to what extent you agree with the statements given by circling or striking through **(e.g.-2)** as per the following scale:

5= To a very large extent, 4= To a large extent, 3=To some extent, 2= To a small extent, 1= To no extent.

To what extent:

1.	Do leaders in different functional areas work together In innovation projects	1	2	3	4	5
	Does the organization break down barriers between different functional teams for ideas to be exchanged	1	2	3	4	5
	Does the organization use a formal approach for Identifying high payoff ideas	1	2	3	4	5
	Do creative meetings produce truly innovative results	1	2	3	4	5
	Is company's mission statement specifically mention creativity and/or innovation	1	2	3	4	5
	Does your organization's actual performance contribute in making innovation happen	1	2	3	4	5
7.	Does your organization successfully develop new Products/solutions/processes and get them to market	1	2	3	4	5
8.	Do you have formal programmes for innovation in your organisation?	1	2	3	4	5
9.	To what extent do you have quantified goals for innovation and its impact on future performance?	1	2	3	4	5
10.	Does the organizational culture support innovative thinking and generations of new ideas	1	2	3	4	5
11.	Are champions of innovation supported in driving projects through to implementation?	1	2	3	4	5
12.	Do fellow organizations/competitors quickly copy your new approaches/processes and quickly them apply elsewhere	1	2	3	4	5
13.	To what extent is innovation celebrated and rewarded?	1	2	3	4	5
14.	To what degree do senior management encourage innovation by demonstrating that "It's okay to fail"?	1	2	3	4	5
15.	Does your organization penetrate all possible channels, customer groups with new services?	1	2	3	4	5
16.	To what extent is the organization open to learn from competitors and other industries?	1	2	3	4	5
17.	To what extent do you undertake consistent environmental Scanning for new ideas/services/processes?	1	2	3	4	5

18. Are your products/services/processes unique to you 1 2 3 4 5
19. Do your innovations reflect market realities by meeting exact societal issues your address 1 2 3 4 5
20. Your products/services observe timing in quickly responding to emerging societal issues than other organizations 1 2 3 4 5
21. Are your organizational capabilities e.g. Human resources, Assets, technology, better than the rest in the industry 1 2 3 4 5
22. Rate the extent of effect the following factors are as challenges affecting your innovation activities or projects or decision not to innovate?

	Factor	Elements	High	Medium	Low	Not experienced
	Cost	Insufficient of funds within your enterprise group				
		Insufficient finance from sources outside your enterprise				
		Innovation costs too high				
	Knowledge Factors	Lack of qualified personnel				
		Lack of information on technology				
		Lack of information on markets				
		Difficulty in finding cooperation partners for innovation				
	Market Factors	Market dominated by established enterprises				
		Uncertain demand for innovative goods or services				
		Need to meet government regulations				
		Excessive perceived economic risks				
	Reasons not to innovate	No need due to prior innovations				
		No need because of no demand for innovations				

APPENDIX III SAMPLE SELECTION TABLE

TABLE FOR DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size
"S" is sample size.

Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.

Formula: table was determined from the formula;

$S = X2NP (1-P)/ d2 (N-l) + X2P(1-P)$

Where S = required sample size, X2 = the table value of chi-square for one degree of freedom at the desired confidence level, N = the population size, P = the population proportion (assumed to be .50 since this would provide the maximum sample size) and d = the degree of accuracy expressed as a proportion (.05).

APPENDIX liv LIST OF THE NGO ORGANIZATIONS

(NGO Respondents retrieved from the NGO Bureau website)

1. Natural health organization
2. Education and health for children in Kenya
3. Horn of Africa community based health project
4. Mission support Kenya
5. Foundation for health and social economic development Africa
6. Africa health information channel (ahic)
7. Kenya association for maternal and neonatal health - kamaneh
8. Reproductive health hazard watch
9. Youth health services initiative
10. Safe health care Africa
11. Global organization for health and development
12. Pan African medical center for public health research and information
13. Human health and sanitation initiative
14. Ecolife development agency
15. Technology for health in Africa(weltel Africa)
16. African biological safety association
17. African population and health research centre Kenya
18. Pure love expressed health care international
19. Salute e sviluppo ong (health and development - Kenya)
20. The national health development organisation
21. One health concept
22. Intrahealth international
23. African family health
24. Kenya community based health financing association
25. Ima world health
26. Yes to kids (y2k) health services
27. Kenya breast health programme
28. Health for all ages international
29. Health ngo's network
30. Rehema healthcare organization
31. Healthmedic international
32. Barakah healthcare foundation
33. Health support international
34. Marafiki community international
35. Pamoja health solutions organization
36. Sustainable health solutions
37. United health and development program
38. Centre for health and development research (chdr)
39. Total community development healthcare
40. Kenya water energy cleanliness and health project
41. Centre for health, advocacy, gender and education initiative
42. Comprehensive environmental health management solutions international
43. Community health access program
44. Slums integrated development healthcare
45. Health management agency
46. Global health action
47. Engender health
48. Riders for health
49. Children health implementation for life development
50. Development operations towards health and needs (dothan)
51. Consortium for national health research
52. Renewed health programmes
53. Health link charity mission
54. Health matters initiative organization
55. Modu health management centre
56. Action now Kenya
57. Sustainable health care foundation
58. Impact on health
59. Cosmopolitan community hope health initiative
60. World vision Kenya
61. Better life organisation
62. Community outreach international
63. Lena foundation
64. Family welfare support and research organization of Kenya
65. Project Africa
66. Al- maktoum foundation
67. Global bio - diversity conserve
68. Africa solutions
69. Pan african school health organization
70. Afya research Africa
71. Health users alliance
72. International humanity foundation (ihf)
73. Dawn foundation
74. Fadhila community development programme
75. Sustainable life development organisation (slido)
76. Big heart organization
77. Ambeka resource centre
78. Afrika neema foundation
79. Boma welfare organization
80. Cancer research & communications organization
81. Olive leaf foundation - kenya
82. Centre for nutrition education and research
83. Pan africa heart foundation
84. Relief international - kenya
85. Transformation community initiatives
86. Creative foundation institute
87. Marie stopes international
88. Compassion international inc.
89. Born to aid
90. Incas foundation
91. Vision plan Africa
92. Inter - African development foundation
93. Zinduka Africa
94. Hemophilia welfare foundation (Kenya)
95. Research, care and training programme
96. Providence whole care international
97. A global healthcare public foundation
98. Nairobi hospice(Nairobi terminal care centre)
99. Apollo foundation

100. Kamili organization
101. Sickle cell anaemia foundation
102. Uweza foundation
103. Joyland foundation
104. Hut to hearth international
105. Medicine for life organization
106. Kidney centre of africa
107. Kenya aids and drugs alliance (kada)
108. Kibera community self help programme (kicoshp)
109. Kenya aids and drugs alliance (kada)
110. Kenya aids ngos consortium - Nairobi
111. Doctors for hope
112. Community empowerment in gender, health and environment programme
113. Ashoka east africa
114. Hope for the nations Kenya
115. Bidii integrated resource programme
116. Peace building and psychosocial support programme
117. Cheryl Williams foundation
118. The stellar foundation
119. Bridge of transformation
120. Care highway humanitarian aid
121. Caris foundation international - Kenya
122. Future horizons
123. Little drops foundation
124. Nada foundation
125. Carolina for kibera organization
126. Afriafya
127. Kenya water, energy,cleanliness and health project
128. Julikei international women and youth affairs
129. Child life missions of Kenya
130. Tumaini africa programme
131. Counselling and health information centre
132. Kemri/the waiter reed project
133. Suitable life development organization
134. Rafiki foundation of Kenya
135. Kenya water, energy, cleanliness and health project
136. Uzima foundation Africa
137. Safe harbor international relief
138. Rafiki multipliers of information initiative
139. Sisters of mary community health and development programme
140. Sub-sahara africa foundation for disease control and prevention
141. Pharmacess foundation
142. Amda international-kenya
143. Kenya human service development programme
144. Kenyamed aid funds for promotion of natural medicine in Kenya
145. Matibabu foundation
146. Abstinence Kenya
147. Alfa family care international
148. Alliance for care and prevention of tuberculosis in kenya
149. Amani counselling centre and training institute
150. Amurt- Switzerland
151. Angaza maisha kenya
152. Anti - drug international organization
153. Anti - retroviral therapy initiative
154. Anti drugs & alcoholism concern organization for ex - prisoners
155. Ashelaki hiv care
156. Avsi foundation
157. Awareness group on aids prevention
158. Benando breakthrough support mission
159. Bethel centre
160. Better life foundation
161. Cargo human care
162. Casam (kenya)
163. Cervical cancer prevention foundation
164. Engenderhealth
165. Epicare international
166. Fahari foundation
167. Family health international
168. Family health options Kenya
169. Family mental health Kenya
170. Foundation of people living with hiv/aids in Kenya (fophak)
171. Health plus organization
172. Health serve Kenya
173. Healthlink charily mission
174. Healthy teens organization
175. Hiv/aids and drug abuse prisoners programme
176. Home based health care rehabilitation progranmme
177. Home medicare services
178. Human rights initiative for women living with hiv/aids in Kenya
179. Kenya community health network
180. Kibera community self help programmes kenya
181. Kifafa care and support child project
182. Medico- pharmaceutical humanitarian centre
183. Aids information centre
184. Healing fountain centre
185. Kenya consortium to fight aids, tuberculosis and malaria
186. Families support foundation Kenya