CHALLENGES FACING INNOVATION STRATEGY IMPLEMENTATION AT EQUITY BANK OF KENYA

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DECLARATION

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

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

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DEDICATION

To my loving sisters Edith Njeru and Nancy Njeni, whose wisdom and counsel has been the cornerstone in my quest for academic excellence.

To my parents Mr. & Mrs. Peterson Njeru, for always believing in me. Thank you for all the support provided.
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ABSTRACT

Implementing innovations is a challenging and high risk task for many organizations. Therefore, it is not surprising that being innovative is generally considered to be key drivers of organizational success. Before the potential benefits of implementing the new idea, practice or technology can be realized, management faces the challenge of ensuring organization members accept the innovation. A number of challenges also exist in the process of innovating in an organization and for success to be achieved in the whole innovation process, then a deliberate move will have to be made to address these challenges.

The purpose of the study was to determine the innovation challenges facing equity bank. The study adopted a case study research design in which an interview guide was used to collect data while content analysis was used in analyzing the data. The findings show that the bank undertakes two major types of innovation namely product and process innovation and from the innovation strategy that it has employed, the bank has been successful in introducing a number of products in the market that were positively received. However, the challenges that face the organization in its innovation strategy include, in adequate communication, market focused learning capability, scale of entrepreneurship, lack of adequate resources and the type of leadership.
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INTRODUCTION

1.1 Background of the Study

The increasingly changing business environment, which is characterized by fragmented markets, rapid technological changes and growing dependence on non-price competition, has forced many firms to be innovative in all areas of business activity. The present day customer stresses prompt delivery, unique innovation, and continued optimization of service quality, and all of these are determined by a mechanism that can improve the performance of routine tasks and non-routine projects by enabling the organization personnel to collaborate and optimize processes of collecting, transforming, storing, and sharing the existing knowledge (Grey, 1996). As can be evidenced from above, it is people who play the key role in converting knowledge into creative products and services.

In an increasingly global business environment, it is becoming apparent that innovation strategy is not only pivotal for an organization to achieve a competitive advantage, but that it is also critical for survival in many industries (Klein et al., 2001). As such, every organization needs to adopt some strategies which will enable it to have a competitive edge over the others. As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors. Indeed environment is recognized to be one of the most important contextual factors that influence innovation, so that environmental changes are often seen as the driving forces
of the firm innovation process (Pavitt, 2006). As a matter of fact, economists generally have been focusing their attention on firms or environmental aspects that spur innovation in the organization, or the industry. The idea behind this line of research is that firms are open systems seeking a state of equilibrium with their environment, so that when the environment changes, they have to accordingly change their strategies, structures and processes.

Many management teams invest a lot of time and effort into analyzing their environment capabilities and services to develop their strategy. Unfortunately they do not invest the same effort in implementing their strategy and as a consequence 9 out of 10 organizations fail to implement their strategy. This situation is compounded by the lack of regular strategic review process so that the organization is not only unaware of"how it is doing" in implementing its strategy hence it also misses many strategic opportunities that emerge (Slack and Lewis, 2002). Innovation has experienced a remarkable change in recent years as a consequence of a number of factors including the advance of science and technology and the increasing globalization of a number of markets and activities. The growing heterogeneity of sources affecting the process of firms' innovation has led to the knowledge created out of the companies themselves achieving greater importance, and therefore to the central role to be played by the capacity of integrating inner and outer sources of technological capabilities with other competitive forces.
1.1.1 Concept of Innovation Strategy

Innovation is the implementation of a new or significantly improved product (good or service), or process of coming up with a new marketing method, or a new organizational method in business practices, workplace organization or external relations (Pavitt, 2005). Innovations have been seen principally as the means to turn research results into commercially successful products. Innovations can stem from adopting new technologies or processes from other fields, or from new ways of doing business, or from new ways of marketing products and services. According Pilo, Taskinen and Salkari (2007, p. 34) state, there is no one single innovation process that could be replicated from an organization to another. Organizations are different, with different backgrounds, cultures, strategies, missions and visions. Organizations need innovation management to drive the development of the innovation process, define the innovation strategy, and most importantly, to create an innovation culture.

It is becoming obvious that, in order to stay competitive, the organizations across all industries must truly and fully embrace innovation: create innovation policies, strategies, processes and, most importantly, they need to establish a creative culture within the organization. One of the more common debates concerning the definition of innovation asks whether innovation should be regarded as a process or a discrete event. Those who see innovation as a process focus on the various stages that the potential adopter goes through over the course of an innovation effort. These stages include identifying problems, evaluating alternatives, arriving at a decision, and putting innovation into use (Kogers, 1983). Zhuang et al. (1999) classified innovation as an invention, an
improvement on an existing product or process and the diffusion or adoption of a change developed elsewhere. Innovation by invention undoubtedly plays a significant role in gaining competitive advantage through differentiation. However, most innovation falls into an improvement on an existing product or process and the diffusion or adoption of a change developed elsewhere. The diffusion or adoption of a change developed elsewhere though often excluded by narrow treatments of innovation, accounts for a large proportion of innovative activities in many business organizations and is consistent with treatments of innovation as something new to an organizational sub unit (Zhuang et al., 1999).

1.1.2 Strategy Implementation

Strategy implementation is defined as "the process used to implement specific firm policies, programs, and action plans across the organization" (Harrington, 2004, p.321). A prudent organization needs to formulate a strategy that is "appropriate for the organization, appropriate for the industry, and appropriate for the situation" (Alexander, 1991). Effective strategy implementation and execution relies on maintaining a balance between preventing failures and promoting success simultaneously. When there is a proper alignment between strategy, administrative mechanisms and organizational capabilities, it will be easier to implement and execute the strategy and to achieve the desired objectives.

Lippitti (200/) observe that strategy may fail to achieve expected results especially when strategy execution is flawed. The failure to execute is a major concern of executives because it limits organizational growth, adaptability and competitiveness. Executives are
not judged by the brilliance of their strategy, but by their ability to implement it. The challenge is how to close the gap between strategy and actual results. Lepsinger (2006) similarly hold that true leaders have a clear vision and are 100% committed to pursuing it. He states that something often goes wrong as the leaders try to bring their vision to life. He calls this the "strategy-execution gap". Pryor, et al (2007) concur that without coherent aligned implementation, even the most superior strategy is useless. He adds that most strategic planning efforts fail during this crucial phase, wasting significant resources already invested. According to Johnson and Scholes (2002), strategy has to do with how an organization matches its internal and external environment and the management process is concerned with how to maintain, stabilize or change that position. The strategic management process is defined as a process to analyze and learn from the internal and external environments in order to establish direction and create strategies to achieve business goals; the management process would result in a plan to maintain, stabilize or change the organization's market position.

1.1.3 Strategy Implementation Challenges

Organizations have long known that, to be competitive, they must develop good strategies and to appropriately realign the organizational structure, systems, leadership behavior and human resource policies. However, between ideal strategic alignment and implementation lie many challenges. Many managers believe that a well-conceived strategy that is communicated to the organization equals implementation. According to Keer and Eisenstat (2000), there were six fundamental reasons why various strategies developed by firms were not implemented effectively. They identified that employees saw the overall problem being rooted fundamentally in the process of management issues.
of leadership, teamwork and strategic direction and not in the commitment of people and their functional competencies. Poor quality vertical communication not only hinders strategy communication but also prevents discussions of the barriers themselves.

According to Grundy (2004), an organization should among others have the top management be committed to the strategic direction the firm is taking. To this end, he argues, the managers will willingly give their energy and loyalty to the implementation process. In addition the senior managers should abandon the notion that the lower level managers have the same perception of strategy and its underlying rationale and urgency. They must not spare any effort in persuading the other employees in adoption of their ideas. In addition, an organization should institute a two-way communication program that permits and solicits questions from employees about issues regarding the formulated strategy. The communication should tell the employees about the new requirement, tasks and activities to be done by the affected employees towards the implementation of the strategy. Another great component of strategy implementation will be the management of barriers to change. Implementation efforts often fail when these barriers are understated and prevention efforts are not instituted at the beginning.

M.4 Equity Bank

Equity bank opened its doors in 1984 as a registered building society. The choice of the legal format was a function of what was available at the time and what could be afforded, both in terms of license fees and capitalization. It initially focused on providing term loans and deposit services, opening several branches in nearby Central Province. Competition for clients was fierce and, in time, many of the smaller societies were closed, with the concomitant effect of diminishing client confidence in these smaller
Equity, however, mobilized customers by hard one-on-one marketing strategy. This is because financial institutions operate through the need to win the confidence of clients and authorities. Unless they do so, they will not succeed in building large savings portfolios and in gaining customer loyalty. Equity bank is fiercely focused on creating and containing customer loyalty and on doing everything in its power to gain and strengthen clients' confidence in it as a financial institution. According to their annual prospectus, all its activities and actions are weighed in terms of the impact they will have on customer loyalty and trust.

Equity's focus on its microfinance customers is regarded as an important success factor since 1995. This focus, which is embodied in the mission of the organization, drives most of the activities of Equity. The bank's focus on the management of client perceptions is an embodiment of the importance attached to clients. Impeccable attention to client service is also seen as one of the most important success areas of all. The bank has also endeavored to build human resource and technical capacity over time. The Equity bank's range of products include loan products: crop advance loans, farm inputs loans, from single credit to include business, household, education, emergency and group loans savings: For special events, old age, schedules, youth accounts, education, newborns. However, the bank, like any other organization, has its own unique challenges which include maintenance of the client-focused culture, even with growth. The bank also considers maintaining a quality loan portfolio and a satisfied customer base, introducing tionless inter branch banking services and changing client perception of the pricing of products to among other challenges the bank faces in its future operation.
1.2 Research Problem

Implementing innovations is a challenging, high risk task for many organizations, "innovate or die" is one of the mantras of today's economy (Getz and Robinson, 2003 p. 87). Therefore, it is not surprising that being innovative is generally considered to be key drivers of organizational success. Many organizations experience problems in the gap between making a decision to introduce a new idea or technology and putting the decision into practice. Before the potential benefits of implementing the new idea, practice or technology can be realized, management faces the challenge of ensuring organization members accept the innovation. One consequence of a limited understanding about how to manage innovation implementation is that many organizations abandon some adopted innovations during the implementation stage. About 15% of the adoptions of the technological innovations are cancelled before completion, with devastating consequences for some companies (Iacovoc and Dexter, 2005). These include loss of sunk and opportunity costs, loss of potential benefits of successful innovation, disruption of operational systems, unwelcome publicity and associated negative impacts on company image and reputation, and loss of managers' credibility. These risks will only be reduced by increased understanding of how to effectively manage innovation implementation.

The banking industry in Kenya offers almost the same banking services thus creating intense competition among the commercial banks and the only distinguishing factor remains to be innovation. The importance of the introduction of new products, the shrinking of the product life cycle and the necessity of sustaining some competitive advantage in the industry, require firms to continuously innovate their products and their
productive technology. Equity bank in comparison with other established banks in the
country can be considered to be relatively young having converted to commercial
banking in 2004. During the last twenty eight years the bank has been in operation, it has
been able to be among the largest banks in the country in terms of customer base and
equity. This can be attributed to among others the ability of the bank to innovate new
products which are compatible with the needs of majority of customers. Despite the
successful innovativeness of the bank, the bank has been encountering numerous
challenges in the implementation its innovations. It becomes then crucial to know the
challenges affecting the innovation processes pursued by the firms in order to keep pace
with the innovation stimuli coming from the market.

Several studies have been done on innovation strategy. Mwikali (2011) undertook a
research on innovation processes within insurance industry in Kenya and found out that
the insurance companies have a common understanding in the innovation process which
involves the whole organization and as they adopt both incremental and radical
innovation and in order to be innovative the companies have put forward principles for
managing innovation. Odhiambo (2008) studied Innovation strategies at the Standard
Chartered (k) ltd and found out that for firms to be innovative it should encourage
creativity in its learning process and this will to a higher platform of quality and
innovation: creative quality and value innovation. Karanja (2009) researched on the
Innovation strategies adopted by Insurance Companies in Kenya and found out that in
order for a firm to embrace innovation, and then the top management should be involved
and direct resources to the team involved in the innovation processes. The firm should

\[ P \text{ management to compensate adequately the knowledge and also manage} \]
the same. She also found out that sustainable competitive advantage of a firm should come within the firm in form of tacit knowledge. The study above focused on innovation strategies only.

None of these dealt on Equity bank and therefore this study will focus on challenges facing innovation strategy implementation. The continuous innovation of products by the commercial banks necessitates understanding of the challenges which affect the implementation of some innovations in the banking industry. This study will therefore seek to answer the following question: what challenges affect implementation of innovation strategy at Equity bank?

1.3 Research Objectives

The objective of the study was to determine the challenges facing innovation strategy implementation at Equity bank.

1.4 Value of the Study

The management of the Equity bank will be able to know the challenges which have been affecting the implementation of innovation strategies and thus come up with measures which will counter the challenges and be able to maintain its competitive advantage over other commercial banks. The management of other commercial banks will benefit from the study as they will be able to gain more insights concerning the competitiveness of their company's innovation strategies and having known the challenges facing innovation strategies in their firm, they will be able to put in place possible ways of mitigating them, the banks will also be able to reinforce those innovation-based competitive strategy and
capabilities, which in turn will enable such firms to outperform their competitors by creating superior value to their customers.

The study will be justified since it will be of academic value to those interested in banking studies with an aim of establishing a business in the banking since they will be able to understand what to do right to succeed and what if done wrong will bring the business down. They will also be in a position to relate happenings in the market with the challenges identified in this project. The study will be of value to the government as it will form an invaluable source of reference especially the ministry of finance in coming out with policies to guide the banking sector in the development of new products. This study is expected to increase body of knowledge to the scholars in the service industry and make them be in touch with how innovation strategies challenger; can be overcome in the service industry.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter provides an overview of the previous literature on organizational innovation. An overview of the various innovation strategies and challenges facing innovation strategies in an organization will be discussed.

2.2 Concept of Strategy

A strategy is the direction and scope of an organization over a long term; which gives advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets to fulfill owners' expectation (Andrews, 1971). Andrews (1971) argues that with respect to corporate strategy, strategists address what the firm might and can do as well as what the firm wants to do. However, he also argues that strategists must address what the firm ought to do. Mintzberg (1988) proposes five formal definitions of strategy as plan, ploy, pattern, position and perspective. Strategy is a plan, some sort of consciously intended course of action, a guideline (or a set of them) to deal with a situation. Strategy can be a ploy, just a specific 'maneuver' intended to outwit an opponent or competitor. Strategy is a pattern, specifically a pattern of actions. Strategy is a position, this means specifically identifying where the organization locates itself in what is known in the management literature as environment for a business firm, usually a market. Strategy is a pe/spective, its content insists not just a chosen position but an ingrained way of perceiving the world.
Thomson and Strickerland (2003) observe that strategies are at ends and these ends concern the purpose and objectives of the organization. They are the things that organizations do, the paths they follow and the decisions they take in order to reach certain points or level of success. Mintzberg and Quinn (1998) identify four interrelated definitions of strategy as a plan, perspective, pattern and position. As a plan, it is some sort of consciously intended course of action, a guideline to deal with a situation. As a pattern it integrates an organization's major goals, policies and actions sequences into a cohesive whole. Strategy as a position becomes a mediating force or match between the organizations and its external and internal environments. Strategy as a position looks outside the organization seeking to locate the organization in the external environment and put it in a cohesive position. Strategy as a perspective looks at the organization. In this respect it is a concept and a perspective shared by the members through their intentions and actions.

2.3 Innovation Strategy

Innovation strategy determines long-term fundamental business objectives and determines the activities and resources for achieving these goals. Orientation objectives are focused on timely response to changes in signaling of need of innovations (Marhdon et 2010). According to him the innovation strategy must be based on variation, long term, systematic, the time factor and the concentration of resources and activities. underson and Holling, (2001) on the other hand defined an innovation strategy as an instrumentalist, functional, predetermined plan governing the allocation of resource to types of innovations in order to achieve a company's overall corporate strategic
objectives and, a decision framework guiding a company about when and how it should selectively abandon the past and/or change its corporate strategy and objectives in order to focus on the business of the future. Kraatz (1998, p.621) noted that "Innovation strategy is innovative direction of company approach to the choice of objectives, methods and ways to fully utilize and develop the innovative potential of the enterprise. This is the direction given of its boundary, which determines the potential of innovative strategies."

Companies can achieve competitive advantage through acts of innovation, and they can approach innovation in its broadest sense, including both new technologies and new ways of doing things (Howells and Tether, 2004). According to innovation strategy is a summary of the strategic decisions on which are managed and carried out innovative activities in the enterprise. A successful innovation strategy must have variants that reflect past, current and expected future developments. The implementation of innovation strategy is necessary to ensure all available resources and its link with corporate strategy and other departments of the company, especially with the marketing department and information technology. According to Marhdon et al.,(2010) preparation of innovative strategies must be purposeful and must be based on analysis of internal and external environment, planning and innovative design. Innovation capacity is formed by the sum of knowledge, experience, resources, assets and managerial capabilities and skills in business available, or is able to obtain in due time. The process of creating an innovation strategy is a complex process that contains six main parts. This is a defining vision and mission of the enterprise, identifying strategic objectives, detailed analysis business environment (internal and external), formulation of strategy, its implementation and subsequent evaluation associated with the control.
2.4 Strategy Implementation

Strategy implementation is an integral component of the strategic management process and is viewed as the process that turns the formulated strategy into a series of actions and then results to ensure that the vision, mission, strategy and strategic objectives of the organization are successfully achieved as planned (Thompson and Strickland 2003: 365). Strategy formulation has been widely regarded as the most important component of the strategic management process - more important than strategy implementation or strategic control. However, recent research indicates that strategy implementation, rather than strategy formulation alone, is a key requirement for superior business performance (Kaplan and Norton 2000). In addition, there is growing recognition that the most important problems in the field of strategic management are not related to strategy formulation, but rather to strategy implementation, and that the high failure rate of organizational initiatives in a dynamic business environment is primarily due to poor implementation of new strategies.

According to Pearce and Robinson (2004), implementation stage is commonly referred to as action phase of the strategic management process. While other phases of formulation, analysis and choice of strategy are important, these phases cannot ensure success alone. A strategy must be translated into action, and that action must be carefully implemented. Implementation of strategy is initiated in three interrelated stages which include identification of measurable, mutually determined annual objectives, development of specific functional strategies and communication of policies to guide decisions. Implementing strategies successfully is about matching the planned and the realizing strategies, which together aim at reaching the organizational vision. The components of
strategy implementation - communication, interpretation, adoption and action are not necessarily successive and they cannot be detached from one another.

Implementation of strategy is comprised a series of sub activities which are primarily administrative. If purpose is determined then the resources of a company can be mobilized to accomplish it. An organizational structure appropriate for the efficient performance of the required tasks must be made effective by information systems and relationships permitting co-ordination and subdivide activities. The organizational processes of performance measurement, compensation, management development -all of them enshrined in systems of incentives and controls - must be directed towards the kind of behavior required by organizational purpose (Pearce and Robinson, 2004). The role of personal leadership is important and sometimes decisive in the accomplishment of strategy.

2.5 Innovation Strategy Implementation Challenges

Whether the innovation is incremental, radical, or disruptive, the new product or process will have to overcome major hurdles of becoming accepted as the new way of doing business. Different types of innovation face different obstacles, but the more radical or disruptive an innovation is, the more challenges will accompany its acceptance and implementation. According to Jones and Hill (1997), implementation of strategy is a way in which a company creates the organizational arrangement that allows it to pursue its strategy most effectively. Successful strategy implementation therefore, must consider issues central to its implementation which include, matching organizational structure to

at C 8 y s c r e a t i n g a supportive organizational culture among other issues.
Organizational systems should not overlook specific individual human features such as responsibility, free decision and true human values (Laszlo, 2007). Organizations face changes in the environment by adopting adaptation strategies. Organizations are able to adapt to new contexts by acting on their strengths and weaknesses in satisfying ways. Adaptation strategies are always the result of a change in organization's routines, and can be achieved in three main ways. An organization may change when it reorganizes existing routines in a new way, or imitates the routines of other organizations or when it creates new routines based on search. Because these three ways to change help the organization to face changes in its environment, the adaptation perspective assumes that adaptation strategies reduce organizational mortality (Schwarz and Shulman, 2007). Complex adaptive systems exhibit particular properties at the edge of chaos such as continuously producing "novel activity patterns" which are one source of their flexibility and capacity of adaptation (Sole and Goodwin, 2000).

2.5.1 Leadership

Leadership is widely described as one of the key drivers of effective strategy implementation (Pearce and Robinson 2007). However, a lack of leadership, and specifically by the top management of the organization, has been identified as one of the major barriers to effective strategy implementation (Hrebiniak 2005). Leadership is defined as "the leader's ability to anticipate, envision, and maintain flexibility and to empower others to create strategic change as necessary" (Hitt et al., 2007: 375). Leadership is multifunctional, involves managing through others, and helps organizations cope with change that seems to be increasing exponentially in today's globalized business environment. Leadership requires the ability to accommodate and integrate both the
internal and external business environment of the organization, and to manage and engage in complex information processing. Identifiable actions characterizing leadership that positively contributes to effective strategy implementation are determining strategic direction, establishing balanced organizational controls, effectively managing the organization's resource portfolio, sustaining an effective organizational culture and emphasizing ethical practices.

Top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This commitment becomes, at the same time, a positive signal for all the affected organizational members. To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation, of its underlying rationale, and its urgency. According to Chapman (2004), the management of the organization provides direction to workers as they pursue a common mission in implementing strategies. The leaders influence their relationship with their followers in the attempt of achieving their mission. Effective leadership is very crucial during strategy execution and can be achieved through participation by all groups and individuals captured in strategic plan through freedom of choice of leaders by team members. This leads to rational leadership styles for those with good leadership qualities and qualifications (Chapman, 2004).

2.5.2 Market-Focused Learning Capability

Learning from market changes has emerged as a key source of innovation and firm Performance particularly on the market driven firm perspective. This approach argues
that, to be effective innovators, organizations should constantly scan the horizons for new opportunities to satisfy their customers. Generating innovative ideas through the collection and dissemination of marketplace information is a starting point for innovation. Because knowledge of market preferences reduces the degree of incompatibility of new products with customer needs, it is likely to enhance the adoption and success of innovations (Cooper and Kleinschmidt, 1987). As argued by Prahalad and Hamel (1990) "the critical task for management is to create an organization capable of infusing products with irresistible functionality or, better yet, creating products that customers need but have not yet even imagined". In this paper market-focused learning capability is conceptualized to incorporate learning activities aimed at both customer preference changes and competitor actions.

Hamel and Prahalad (1993) suggest that merely being a learning organization is not sufficient. Learning processes must be translated into the acquisition of managerial competencies that permit the organization to be more efficient than competitors. The first step in this direction will be to arrive at a definition of organizational learning. Based on Slater and Narver (1995), organizational learning is defined as the development of new knowledge or insights that have the potential to influence behavior, which can be distinguished from individual learning in an organization. The organizational learning comprises four learning activities, which constitute the overall organizational learning process of the firm. These activities are knowledge acquisition (the development or creation of skills, insights, relationships), knowledge sharing (the dissemination to others what has been acquired by some), knowledge utilization (integration of the learning so assimilated, broadly available, and can also be generalized to new situations) and
unlearning (the review and renewal of existing knowledge and communication of changes within the firm) (Schein, 1990).

2.5.3 Resources allocation

Strategy can be best understood if it is viewed as an element of an organization that includes proper resource allocation. The causes of breakdown in strategy implementation relate to the capabilities, processes and activities that are needed to bring the strategy to life. Effective resource allocation calls for unique, creative skills including leadership, precision, attention to detail, breaking down complexity into digestible tasks and activities and communicating in clear and concise ways throughout the organization and to all its stakeholders. Successful strategy implementation is due to the design, development, acquisition, and implementation of resources that provide what is needed to give effect to the institution's new strategies (Judson, 1991).

The first stage of implementation of the corporate plan is to make sure that the organization has the right people on board. These include those folks with required competencies and skills that are needed to support the plan. In the months following the planning process, it is important to expand employee's skills through training, recruitment or new hires to include and add new competencies required by the strategic plan (Olsen, 2005). One of the reasons why strategy implementation processes frequently result in difficult and complex problems or even fail is the vagueness of the assignment responsibilities. In addition, these responsibilities are diffused through numerous organizational units. Cross-functional relations are representative of an implementation effort. This is indeed a challenge, because as already mentioned before organizational
members tend to think only in their "own" department structures. This may be worsened by over-bureaucracy and can thus end up in a disaster for the whole implementation. To avoid power struggles between departments and within hierarchies, one should create a plan with clear assignments of responsibilities regarding detailed implementation activities. This is a preventive way of ensuring responsibilities are clear and potential problems are therefore avoided.

The organization need to have sufficient funds and enough time to support the implementation process. True costs include realistic time commitment from staff to achieve a goal, a clear identification of expenses associated with a tactic, or unexpected cost overruns by vendors (Olsen, 2005). Resource allocation is important and equitable resource allocation and sharing is an important activity that enhances strategy execution. The resources include financial, physical, human, technological and good will resource. The budgetary resources should be marched with departmental operations. Effective implementation of any organization's strategic plan depends on rational and equitable resource allocation across the organization. Proper links should be developed between the strategic plan and operational activity at departmental levels in order to necessitate proper implementation of strategies (Birnbaum, 2000).

2.5.4 Entrepreneurship

Merz and Sauber (1995) argued that entrepreneurship is the key factor determining the capability building activity of the firm. A firm's entrepreneurial orientation dictates its competitive orientation. Schollhammer (1982, p. 210) stated that "Er.trepreneurship is the key element for gaining competitive advantage and consequently greater financial
rewards". The entrepreneurial firm is generally distinguished in its ability to innovate, initiate change, and rapidly react to change flexibly and adroitly (Nainan and Slevin, 1993).

Premised on the firm-behavior model of entrepreneurship, Covin and Slevin, (1986) observed that entrepreneurship has gained popularity among strategy researchers over recent years. Entrepreneurship was taken as a firm behavior in which the firm displays innovativeness, pro-activeness and risk-taking propensity in their strategic decision making. It is further argued that entrepreneurship can be conceptualized in terms of a continuum using these three attributes, which reflects the "entrepreneurial intensity" of the firm. Rizzoni (1991) established a link between entrepreneurship, organizational capabilities and innovation. According to him a firm pursuing an innovation-based strategy accumulates specific capabilities, which distinguish the firm from its competitors and enable it to face the variability of the environment.

2.5.5 Organization Learning Intensity

Organizational learning intensity is a higher stage in the development trajectory of quality and innovation, and the future platform for organizational success. Its attainment is the core target of the learning approach to quality and innovation. Creative quality inherits qualities from both "creativity" and "quality". Creativity is defined from different perspectives and falls into a cross-disciplinary domain, although much attention it has received is from the psychological viewpoint. Lumsdaine and Lumsdaine (1995, p. 14) defined creativity has "creativity is playing with imagination and possibilities, leading to new and meaningful connections and outcomes while interacting with ideas, people, and
the environment." Creativity is viewed as a process, rather than an outcome. It is an output-oriented process, in which an individual behaviorally, cognitively and emotionally attempts to produce creative outcomes (Kahn, 1990), which are novel and useful ideas (Amabile, 1988), novel or original, relevant and useful products, or procedures (Oldham and Cummings, 1996). Organizational creativity is closely linked to productivity and competitive success in business organizations.

Creative quality is a process built up upon organizational-based competency and delivers value innovation in the marketplace. In a sense, creative quality is more focused on customers and more likely to be approached from a set of values, is a general strategic orientation and organizational ideology rather than simply as a set of tools and techniques. Value innovation, like creative quality, is more focused on end-consumers, and links innovation to buyer value. It places emphasis on both value and innovation: value without innovation is likely to focus on improving buyers' net benefit incrementally; innovation without value can be too strategic or technological-driven (Kim and Mauborgne, 1999). Value innovation is a radical change and quantum leap in an organization, achieved through the process of creative quality. However, there is some difference between these concepts: breakthrough and disruptive innovation involves a high degree of expectation of technological breakthroughs and structural changes in the organization; the entrepreneur is the major input in producing creative destruction (Schumpeter, 1934); knowledge and novel ideas are the major inputs for value innovation. Unlike the old "technology-push" theory, value innovation can occur with or without technological breakthrough. Indeed, technological innovation does not necessarily produce value innovation (Kim and Mauborgne, 1999).
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter provides a discussion of the research methodology that was used in this study. It will discuss the research design, the target population, data collection instruments and the techniques for data analysis.

3.2 Research Design

The research design was a case study. The study used a case study as a strategy research in order to understand or explain the phenomena, which is the challenges facing innovation strategy implementation in Equity bank, by placing them in their wider context, which is the specific company within the banking industry.

The reason for this choice is based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena (Kitay and Callus, 1998).

3.3 Data Collection

The study used primary data which was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. The respondents to be interviewed were those involved with formulation and implementation of the bank's Regies who are the top managers in charge of planning, administration, management
consultancy services, human resource management and human resource development. These are considered to be key informants for this research.

In addition the departments in which the intended respondents work in are the key developers' and implemented of the bank's strategies. Key informants are also a source of information that can assist in understanding the context of an organization, or clarifying particular issues or problems. The selection of key informants is usually not random, and accordingly the issue of bias arises. The informants' views need to be balanced to obtain an impartial view on the investigated phenomenon.

3.4 Data Analysis

The data obtained from the interview guide was analyzed qualitatively. Qualitative data analysis makes general statements on how categories or themes of data are related. The qualitative analysis was adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it was difficult to do so numerically. The qualitative analysis was done using content analysis.

Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh and Shannon, 2005). It involves observation and detailed description of objects, items or things that comprise the object of study.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The research objective was to establish the challenges facing innovation strategies implementation at Equity Bank (K) Ltd. This chapter presents the analysis and findings with regard to the objective and discussion of the same and is divided into three sections namely; respondents profile, innovation strategies at Equity bank and challenges facing innovation strategies at the bank.

4.2 Respondents Profile

This part of the interview guide was intended to assess the capacity of the respondents to answer the questions on the interview guide and also whether they were versed with the subject matter of the study. The respondents comprised the top and middle level managers of the company namely; director innovation and markets, operation manager, head information technology, finance manager and company's sales manager. These respondents were purposely selected by the researcher because they were deemed to be dealing in the company with issues relating to innovation strategies of the company. In total; the researcher interviewed all the targeted five respondents. This represented 100\% response rate. All the respondents interviewed had university degrees with 3 of them having Masters Degrees and with such a qualification, it is expected that the respondents will be able to understand the questions and capacity to answer appropriately. Their work
experienced spans a total of 41 years in various departments within the organization and other firms in the banking industry and this enhances their understanding of the banking industry and Equity bank in particular.

4.3 Innovation Strategy at Equity bank

This section of the interview guide sought to establish from the respondents the type of innovation strategies that are used at Equity bank Ltd. An organization's innovation process defines the way the organization manages the development of inventions into commercial products, services or processes. In the study, it came out that the innovation process is used to encompass the whole process, from the idea generation to the commercialization and usually comprises a set of phases, stages, gates, and rules, defining the order in which the activities are conducted. This will mean therefore that the innovation process will depend on the type of innovation strategy in the organization as well as the level of involvement of employees.

On the question of how long the innovation strategy covers at Equity bank, the interviewees noted that the firm has a five-year strategic plan that rolls over from one period to another with evaluation being done semi-annually to assess the progress and correct any deviations from the plan that is registered. The organization has realized the importance of involving all employees in the process. To this regard, the respondents noted that at Equity bank, innovation decision has been a preserve of the senior management and the execution process has been left to the middle and lower level cadre of staff. The present top-down approach being practiced in the organization as far as innovation process is concerned was however found out to be inadequate especially in the
present day competitive business environment that the company is facing. They felt that in order for the company to proactively identify opportunities in the market especially in the banking sector, all staff should be encouraged to give their input especially in the lower level who are thought to be privy to the market conditions in the 'ground'. This finding on the need for an organization innovation strategy to be an all inclusive exercises is similar to that made by Ettlie, (2003) while researching on the role of employees in an organizational innovation process.

Several measures were pointed out by the respondents to have been taken by Equity bank to try and increase the level of success in implementing the innovation strategies. Some of the measures that were highlighted include that a number of meetings are routinely made on weekly basis to assess progress of strategy objectives of various business units and in these meetings, challenges are identified and development of action plans are executed. Continuous improvement of process including leadership development and goal alignment as a way of developing the path to achieving strategy objectives is also being undertaken. The recognition of the role of internal resources for strategic goals as Barney (1991) referred to, has also become a key factor in the organization. The respondents noted that the organization has lately directed its focus on staff development through directing its training on achievement of performance with a1 view of encouraging high performing talent as well as developing plans for all staff in the organization. In addition, it was also noted by the respondents that focus towards ownership as an enabler to achieve strategy objectives has become the norm at Equity bank.

In the course of implementing innovation strategies, the researcher also sought to establish how the management at Equity bank ensures its strategies are well
implemented. The interviewees noted that the management always ensures that markets are aligned to the objectives and at the same time makes sure that the staff understands the objectives, there is a continuous tracking of actual performance on periodic basis, resources are availed such as brand support budget that a particular market requires so that markets require to invest in consumer and trade activities in a timely manner. In addition where necessary, the management will routinely engage with the government/state officials to ensure that an enabling environment exists to guarantee business success.

4.4 Challenges facing Innovation strategies at Equity Bank Ltd

Despite the great steps that has been taken by Equity bank in developing new products, processes, organizational structure as well as in its human resource facet, the respondents identified a number of challenges that faces the organisation in implementing these innovations. These challenges as listed by the respondents include; leadership, inadequate communication mechanism, organizational culture, organizational structure and resource allocation.

4.4.1 Leadership challenge

The challenge of leadership came out as a strong factor that affects the level of success in a firms innovation strategy. The respondents noted that in some cases, the bank has had to loose opportunities has a result of a delay in the top management direction on the matter. First, rigidity and bureaucracy together with the failure to embrace new ideas and innovational technology in business was noted as a challenge. In addition, differences in opinion has sometimes forced the removal of project leadership as well as interference by
senior management on the pace of involvement. A case in point is the slow pace that the bank has had in implementing the point of sale terminals that is intended to reduce the time spend in the banking all queuing. The study that led to desire to implement showed that its implementation will reduce by over 40% the time spend by a customer in the banking hall. However, the interviewees noted that the stage at which the project has reached will need only a management decision will be needed. Management resistance to change and new ideas, lack of visionary leadership together with poor leadership skills and knowledge are still additional challenges facing the organisation. Some of these leadership skills were found to be due to a lack of proper training and this could be remedied through the process of training of those in the management positions.

The interviewees observed that the leadership challenge affect innovation since it slows down the process and also for a success in innovation; there is need of all employees to be involved in the process and their input to be incorporated in the process. The involvement of all employees can only be attained if the managers of the bank get involved in it in the first place. The respondents noted that the direction that senior leadership takes will give the other staff the lead to follow. The bank was observed to be following the top down leadership style and with innovation process, such an approach affects the contribution of the lower cadre of staff who will feel that they were not involved at any given level and so will be reluctant to support it frilly. In addition, the respondents noted that the key leaders sometimes delay the signing off of some innovations.
4.4.2 Market-Focused Learning Capability

In this section, the researcher sought to find out from the respondents, how market related innovation challenges were being handled by the organization. On the question of how the respondents consider the capacity of the organization staff to learn and scan the market on changes in the business environment to innovate new products, the respondent's answers were varied. Some respondents noted that the capacity of marketing employees to this extent was of high capacity and that Equity bank has a Research Centre that undertakes research on products before their launch. However, the respondents pointed out that the research could be enhanced if local consumer research bodies are utilized to provide a clear perspective of such initiatives once products have been developed as well as tap the ideas of local staff when developing products for specific markets. In addition, it was also noted that the present day ability is not sufficiently developed and this is evidenced by the fact that in the past two years the company has not realized strong growth when in East Africa but instead scaled down its expansion process. Though this could be a strategic move, it still shows that the bank expansion process can be affected in a way.

There is need of the skills on innovation strategies developed by an organization to be retained in the firm in case of an employee loss. This requires therefore that a knowledge management system be developed such that all the expertise gained by an employee through training can be transferred to another member of staff. However, it was noted by the respondents that the organization is yet to develop programmes targeting the building of innovation skills to staff of all cadres.

^K1 development of innovation skills to staff of all cadres.
The other important feature of the innovation process is the need of it to be adaptable to the changing marketing conditions and challenges in the business environment. The researcher therefore sought to establish the extent of adaptability of the knowledge gained in the process of innovation at Equity bank. The responses from the interviewees were varied in this regard. Some of the respondents pointed out that knowledge is adaptable; and has been used to inform adaptations based on changes in business environment. This however needs to be enhanced by focusing on basing adaptations to the local market as compared to other markets that do not necessarily represent similar market dynamics. However, other respondents noted that this is an area that needs to be developed, though various researches are conducted to scan the competitive landscape etc the degree of this knowledge is not satisfactory to guide proper planning and adapting of the organization to changing business circumstances.

4.4.3 Lack of adequate resources

On the question of Equity bank faces any resource constraints in the process of innovating, the respondents indicated that financial constraints were not a major factor. However there is need to allow staff to try out new things without fear of retribution if things don't work out as planned. These calls for programmes that enable staff make calculated risks if working on something new that is considered innovative. They are not adequate resources for a proper innovation strategy as a lot needs to be invested behind innovations, right now the focus is on getting the most out of existing lines of business.

Several measures have however been taken to counter the lack of adequate resources constraint. The interviewees pointed out that Equity bank has developed knowledge
sharing in the intranet that allows staff to interact and learn from internal resources. Staff is being given opportunity to learn/gain experience in other markets allowing development of global leadership, building new perspectives and experiences that are a recipe for innovation. Other respondents noted that currently the priority is to consolidate strengths in existing business but because of the competitive landscape, more attention will need to be placed here in future.

4.4.4 Scale of Entrepreneurship

The nature and capacity of the organization to scan the business environment for opportunities and being able to capture the same is equally important in establishing the level of innovation of a firm. The researcher sought to establish how the organizations competitive orientation influences the innovation process. They interviewees pointed out that the availability of knowledge that is documented and the ability to interact globally provides a key aspect that can influence and build innovation. They noted that the bargaining power of customers is considered in the innovation process so as to ensure that the organization gets the support of distributors, for example, who are important to ensuring success of new products. Usually introductory offers will be given to customers to get their 'buy-in' during new launches and also to make sure that they have enough resources such as distribution tools to properly sell the new product. The noted that the innovation process At Equity bank, innovation is carried out mainly to enhance the firms growth, protect profitability, improve on cost as well as for purposes of compliance.

'\textsuperscript{a}novation process is a risk taking venture and for it to be successful the management will need to be risk takers and at the same time be pro active. In the local market, Pondents noted that Equity bank is proactive however, as an organization within
(he larger global unit, much more needs to be done in terms of bunding an atmosphere that allows risk-taking and thus increase risk-taking propensity. The risk taking propensity is low in the organization though the tools are being developed by the organization. Tools such as trade research to measure distribution levels and product off-take (Retail Trade Audits) are not conducted right now. Also Brand Health Trackers which seek to get information from consumers on consumption habits, their disposition towards brands etc are not done consistently. This deficiency impacts negatively on a firms innovation capability as market information is limited in availability and also flexibility in reacting is compromised.

4.5 Discussion of the Findings

The role of innovation process in organizations has been discussed in detail and its importance also expounded. The organization innovation strategy determines its long term business objectives and determines also the activities and resources for achieving these goals. The findings of the study were that Equity bank can be able to achieve competitive advantage through acts of innovation and this will require both innovation in technologies and way of doing things in the bank. This findings explains the importance of the innovation process and also its central role in maintaining the banks competitiveness and is similar to the findings made by Howells and Tether (2004) who pointed out that in the present day business environment that is characterized with the uncertain pressures and challenges from the competitors and market conditions, a firms competitiveness will come from its ability to differentiate its processes and products through innovating appropriate products and process.
The study found out that the organizations innovation process however faces a number of challenges that range from leadership, a lack of a market focused learning capability, inadequate resources to support the process and the level of entrepreneurship necessary to support the innovation process. The study found that the management level of rigidity, bureaucracy and the failure to embrace new technologies in the market was noted a challenge. This leadership challenge was found to slow down the process and success of innovation. Chapman (2004) pointed out that the management of the organization need to provide the necessary direction to workers as they pursue a common mission in implementing their strategies through influencing their relationship with their followers. The organizations innovation process need to be adaptable to the changing marketing conditions and challenges in the business environment (Prahalad and Harmel, 1990). The study found out that in the case of Equity bank, there is need of basing innovation on the local market conditions and also for the bank to direct adequate resources, both financial and posting of staff in the process. The staff should be given opportunity to learn and gain experience in diverse fields and markets and thus allowing the development of global leadership. This findings is in tandem with that of Olsen (2005) who pointed out that an organization need to have sufficient funds and enough time and time to support the implementation of the innovations process.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter sets out to discuss the summary of the findings, draw conclusions, and make recommendations.

5.2 Summary of the Findings

As one of the market leaders in the Kenyan banking industry, Equity bank has made great efforts in its bid to continue being a market leader in the country through innovation of new products and services. A numbers of areas have registered impressive levels of innovation in the organisation.

The organisation has undertaken a deliberate step to reshape its product innovation to suit the needs and suitability of the market. The business development team develops all the products after market research which helps in identifying the opportunities existing in the market and how the same can be exploited to meet the requirement of the market and also boast the income of the organisation. The organisation has come up with products and services that meet the needs of specific market and has been differentiated and tailored to these markets.

Towards the realization of the product innovation at Equity bank, the company develops strategic plans that are reviewed bi-annually. The innovation strategy approach employed "the firm is top down whereby it's only the top and middle level management teams that
are involved in the actual design of the innovation strategy. A number of deliberate moves have been taken by the organization to increase their level of success in the product innovation. These steps include; increasing the number of meetings that aim at assesses progress of strategy objectives of various business units and in these meetings, challenges are identified and developments of action plans are executed. The organization has also improved on the aspect of leadership development and goal alignment as a way of developing the path to achieving strategy objectives as well as increasing their attention to the utilization of internal resources such as manpower in realizing the organization innovation process. The two popular innovation processes in the organization is the product and process innovation.

The challenges that the organization faces in its innovation process include leadership, market focused learning capability, the entrepreneurship behaviour and scarce resources in the organization. The marketing staff as well as in the business development were found to be less proactive in identifying opportunities in the market and it was found out that the research could be enhanced if local consumer research bodies are utilized to provide a clear perspective of such initiatives once products have been developed as well as tap the ideas of local staff when developing products for specific markets. Innovation process is a risk taking venture and for it to be successful the management of a firm will need to be risk takers and at the same time be pro active. However, it was noted that Equity bank is proactive in the local market but the same cannot be said in the global business set up. Financial constraints and a lack of better trained manpower were also noted to be a concern in the development of innovation process in the firm.
5.3 Conclusion

From the research findings and the answers to the research questions, some conclusions can be drawn about the study. The banking industry is challenged by the emergence of new technologies, products, markets and competitors and these necessitates flexibility and adaptability in order to achieve necessary competitiveness. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture and good implementation. Innovation helps to search for a favorable competitive position in an industry, aims to establish a profitable and sustainable position against the forces that determine industry competition.

For successful innovation process in any organization, there needs to be an understanding and communication among all the stakeholders in the organization of the need to be innovative so that they can overcome most of the challenges of innovation. The type of innovation being undertaken by a firm depends with the prevailing circumstances at a particular period and that will explain the adoption of incremental and radical innovation by any firm. The implementation of the innovation is normally conducted using an innovation process and these will assist the company to know where they could have gone wrong in case the innovation does not yield the expected results.

The organizational structure adopted by a firm should ensure that it promotes innovation in the whole organization. The same applies with the culture which should be seen as a medium that permeates the organizational system, influencing its other elements and being influenced by them. The management of the companies should not fear innovation in risky businesses as it will be rewarding at the end of it but instead they should avail all
the resources to the organizations innovation team so that they can continue the process so that the organization can gain the necessary competitive advantage.

5.4 Limitation of the Study

The study examined the challenges facing innovation strategy implementation at Equity bank of Kenya and so the findings may not necessarily apply to other banking organizations in the industry and more so the smaller banks. Moreover, the study places more emphasis on non-financial measures of performance despite the fact that financial measures represent some of the major challenge of innovation in the organizations. The study also confined itself to one financial period and not an event study in the organization to investigate the evolution of the innovation challenges with the growth of the organization.

5.5 Suggestion for Further Research

This study makes several recommendations for policy implementation and also suggest for further research. Foremost, the study established that the Equity bank innovation strategies approach is top-down and this approach was found to exclude most of the staff in getting involved in such important exercise. As a result it recommended that the organizational strategy should be an all inclusive and preferably a bottom up approach be adopted and although it might be expensive, its cost benefit analysis will suggest the approach. What this means is that the process of innovation process should be all inclusive to both internal and selected external stakeholders who will be affected by the innovation strategy.
Secondly, the study found out that the innovation process in a firm is time and resource consuming. The process should not hurried much and firms should adopt the most economical procedure offer less waiting time and a higher spatial convenience than traditional process and thus attractive to a large and quickly growing segment of customers. However, before making large-scale investments in a given process it is recommended that the relevant customer segments are identified and that attempts should be made to predict the development of their sizes.

The study confined itself to Equity bank and the findings may not be applicable in other sectors or even other firms operating in the industry. It is therefore recommended that the study is replicated in other manufacturing firms to establish the challenges of innovation process in their organizations.
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APPENDIX I: INTERVIEW GUIDE

The interview guide will seek to achieve the following objectives;

1. Determine the challenges facing innovation strategy implementation in Equity bank.

Section A: Background Information on the respondents

• What position do you hold in the bank?
• For how long have you been holding the current position?
• For how long have you worked in the bank?
• What is your level of education?

Section B: Innovation strategy in the bank

• What is your innovation strategy?
• What duration does the banks' innovation strategy cover?
• What approach can you categorize the innovation strategy implementation process of the bank to take?
• What level of involvement of employees does the innovation strategy development and implementation take?
• What practices does the bank adopt in the implementation of its strategy?
• How does the bank maintain a balance between preventing failures and promoting success simultaneously to ensure effective implementation of innovation strategies and execution?
• What measures does the bank top management undertake to ensure successful implementation of its innovation strategies?
Section C: Challenges facing innovation strategy implementation

a) Leadership

a) Is the bank leadership in the forefront in providing leadership in innovation strategy implementation?

b) Is leadership a challenge to the process of innovation strategy implementation?

c) What are the challenges posed by effective coordination and sharing of responsibilities?

d) Are you faced with the challenge of management in leadership whereby the vision is not shared?

e) How does this impact on the process of innovation strategy implementation?

f) What kind of challenges do you face with leadership?

g) What would you say are some of the solutions to these challenges?

b) Market-Focused Learning Capability

a) How do you consider the capacity of the organization staff to learn and scan the market to identify the changes in the business environment to innovate new products?

b) How frequently does the staff concerned with developing new products collect and disseminate marketplace information to other concerned staff? Do you feel the current rate is adequate and if not how can the same be improved?

c) In your view, does the organization integrate effectively the knowledge gained through training and development programs on innovation to other organizations employees?

d) How adaptable is the knowledge gained by the organization in meeting the changes in the business environment?
Resources allocation

a) What effect does resource constraints have on innovation strategy implementation in the bank?

b) What kind of resources in particular?

c) How do you address the issue of resource limitation?

d) In your opinion, were the available resources (Physical, financial, technological and human) adequate for innovation strategy implementation?

e) Are there measures which have been taken by the bank to avail enough resources to enable the bank to implement its innovation strategy successfully?

d) Entrepreneurship

a. Do you consider the organizations competitive orientation to influence your innovation process? If yes, how is the same achieved?

b. How do you consider the organizations ability to rapidly react to change flexibly and adroitly? Do the same have an effect on the firms' innovation capability?

c. Do you consider the organization to be pro-active and having risk-taking propensity? How is the same realized?

d. Will you say your organization has achieved specific capabilities, which distinguish the firm from its competitors and enable it to face the variability of the environment? What are some of these capabilities?