

**INNOVATION STRATEGIES AND COMPETITIVE ADVANTAGE
AT CYTONN REAL ESTATE KENYA**

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DECLARATION

This research project is my original work and has not been submitted for any award to any other college, institution or university.

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DEDICATION

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ABBREVIATIONS AND SYNONYMS

- CIO** - Chief Investments Officer
- DOI** - Diffusion of Innovation
- GDP** - Gross Domestic Product
- HPI** - Real Estate Price Index
- ICT** - Information Communication and Technology
- KBA** - Kenya Bankers Association
- PR** - Public Relations
- RBV** - Resource Based View
- SMEs** - Small and Medium Enterprises
- US** - United States

ABSTRACT

Innovation strategies are significant components of a firm's competitive approach and strategy. For companies, one way to gain competitive advantage is to develop an innovative strategy that is consistent with business trends and in proportion to the company's capabilities and resources. However, despite being innovative, competitive advantage is difficult to realize as companies are exposed to the global and industry competition. The Kenyan real estate is one of the significant sector in economic development and provision of housing. However, the industry has witnessed increasing competition in both commercial and residential properties and the Kenyan real estate sector performance is currently fragile in comparison to preceding years. This study thus sought to determine the effect of innovation strategies on competitive advantage at Cytonn real estate. The Schumpeter theory of innovation, the resource-based view and diffusion of innovation theory formed the theoretical foundation of the study. The study adopted a case study design which comprises of intensive and detailed study of single unit. This study entirely used primary data, which was gathered by means of an interview guide. The interview guide was administered to 10 senior management staff from the various departments at Cytonn Real Estate. The data gathered using the interview guide was qualitative in nature and was analyzed using content analysis where the generated responses were categorized based on identified themes and the study objectives. The study established that Cytonn real estate had adopted various innovation practices with the mostly adopted one being product innovation, followed by technological innovations, process innovation, marketing innovation strategies and finally organizational innovation strategies. The study also established that continuous review of firms' innovation practices and subsequent adoption of new strategies led to enhanced competitive advantage and adoption of innovation sends a signal to the market that the firm is offering unique and differentiated products. The study also established that costs associated with innovation do not have any adverse effect on firm competitiveness as the costs were factored on the final product and is normally passed to the client. The results revealed that there was no specific competitive strategy which Cytonn real estate preferred but the firm used all the targeting, differentiation and cost leadership but at different levels and the strategies adopted by the firm were effective as the adopted strategies were carefully discussed and its implications assessed before it was put into practice. The study concluded that various innovation strategies complement one another and adoption of one may force the adoption of another strategy and thus adoption of innovation leads to enhanced competitive advantage at Cytonn Real Estate. The study recommends that the management of Cytonn real estate should continue using the various innovative strategies because they enhance their competitive advantage.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In strategic management theory and practice, innovation is deemed one of the core settings for competitive advantage and for success, thus a firm's strategy for innovation is a significant component of developing long term strategies (Kralewski, 2012). Innovation is the key driver of competitiveness, profitability, growth as well as value creation (Ionescu & Dumitru, 2015). Innovation strategies guide managers on how to use resources to achieve a company's innovation goals thereby creating value and building competitive advantage (Malek Akhlagh, E., Moradi, M., Mehdizade, M., & Dorostkar Ahmadi, N. , 2013). Corporates focus on innovation in response to environmental changes and develop innovative skills to realize higher performance and competitive advantage (Sh, G., Rexhepi, G., & Ramadani, V. 2013).

Innovation entails the creation of new products or services, new technological processes, a new organization or the improvement of an existing product or service, an existing technological process and an existing organization (Sh, G., Rexhepi, G., & Ramadani, V., 2013). Competitive advantage on the other hand means that companies are able to better meet customer needs than their competitors (Tanwar, 2013). Innovation strategies are essential to gain a competitive advantage. Companies that are not innovative cannot compete in the global market (Cingula & Veselica, 2010). Innovative strategies help companies manage the process to create a lasting competitive advantage in dynamic environments (Jové-Llopis & Segarra-Blasco, 2016).

On a theoretical perspective, the Schumpeter theory of innovation indicates that innovation is a unification of continuity (existing elements) and change (new combination) that leads to a new product, a new approach, a new market opening, a new supply source or a new organizational system development (Köhler, 2008). The resource-based view states that an enterprise can use its internal resources to develop strategies to meet competitive environmental requirements and create innovative abilities (Nuryakin, 2018). The diffusion of innovation theory asserts that innovation has a relative advantage over current technologies, based on their perceived usefulness or their capacity to improve the well-being of users financially, economically, socially or physically (Rambocas & Arjoon, 2012).

The Kenyan real estate industry experienced a boom that began sometime in the middle of 2000's, when the real estate market responded to the demand of the expanding middle class with disposable income and in which people could buy homes and others service their mortgages. As a result, there have been many entrants into real estate firms to satisfy this demand (Gikandi, 2016). Currently the industry is on an uptrend owing to the execution of programs like the Urban Transport Infrastructure plan hence innovation has been considered vital (Kibunyi, Ndiritu & Gil-Alana, 2017). Additionally, Kenya's real estate has grown in the last 5 years with statistics indicating the sector approximately created more than 82,000 private sector jobs since 2010 thus adoption of innovative practices in this sector is central to enhancing one's competitiveness (Mugure & Mbugua, 2017).

1.1.1 Innovation Strategies

Innovation strategy denotes the propensity by an industry to support and engage the new concepts, experimentation, novelty and inventive processes which may lead to new services, products or technical practices and lastly improvement in performance (Ionescu & Dumitru, 2015). Innovation strategies is vital to the success of innovation in all firms and is a basic tool that outlines the innovation direction of an entity (Malek et al., 2013). Strategies for innovation identify long-term core business goals and determine resources and activities to achieve those goals (Urbancova, 2013). Innovation strategies determine how the company uses innovation to fulfill its business strategy and improve its performance (Karlsson & Tavassoli, 2015).

Innovation strategies make it possible for companies to commit their limited resources for initiatives that have the greatest effect on performance (Fathali, 2016). The foremost task of an innovation strategy is to help make decisions about the manner in which resources should be used to achieve a company's innovation goals, and as a result create value and improve business performance (Karlsson & Tavassoli, 2015). These strategies are also important for the economic growth of states as innovative businesses create new and non-existent value by commercializing R&D results (Wang, Lin & Chu, 2011).

Innovation strategies provide a strategic option of enhancing the company's survival and long-term success through alignment of company's assets and competencies with prospects in the external environment (Ouma & Kilika, 2018). An innovation strategy aids companies decide cumulatively and sustainably which type of innovation best matches the corporate goals (Cingula & Veselica, 2010). These strategies also help determine how resources

should be used to achieve an enterprise's innovation goals so as to create value and enhance competitiveness (Urbancova, 2013).

There are different types of innovations or ways in which companies can innovate (Sh, Rexhepi & Ramadani, 2013). Fathali (2016) posit that innovation practices are an engine by which methodologies, connections, and procedures of firms can be improved to enhance effectiveness as well as competitiveness. The major innovation strategies include process innovation, marketing innovation, organizational innovation and product innovations strategies.

Process innovation refers to the development of a new or significantly upgraded production process through reengineering of operational practices or adoption of new equipment (Fathali, 2016). This innovation entails significant improvements to the technical specifications, materials and components as well as integrated software (Akis, 2015). This innovation is aimed at improving the technology of the production processes essential to make the product (Laosirihongthong, Prajogo & Adebajo, 2014). It contributes to output by decreasing costs of production through efficient usage of inputs and large scale production (Karlsson & Tavassoli, 2015).

Marketing innovation approach entails substantial modifications in knowledge/innovation which are the sources of revealing new ideas (Tinoco, 2010). The marketing innovation logic put emphasis on sales growth by shifting customer demand from elastic to more inelastic market sector by offering consumers better added value (Akis, 2015). This innovation relate to marketing roles like advertising, distribution, pricing and product growth (Cingula & Veselica, 2010). This innovation contributes to revenue growth by

opening new distribution channels and markets for an enterprise's products (Karlsson & Tavassoli, 2015).

Organizational innovation focuses on implementing new organizational methods in a company's business practices and external relations (Akis, 2015). Organizational innovation enhances productivity through articulate production methods and also helps to improve consumer perceptions of the company's products (Karlsson & Tavassoli, 2015). This innovation tends to improve business performance by reducing transaction and administrative costs, enhancing job satisfaction, boosting labor productivity, and providing access to non-marketable resources like exterior tacit knowledge and reduction of external utility costs (Cingula & Veselica, 2010).

Product innovation denotes the systematic task process that draws on existing knowledge obtained through practical experience and research to create new products, equipment and materials (Fathali, 2016). This innovation is aimed at sustaining the product's lifecycle, as the existing product is subject to changes in consumer needs and appetites which shortens the product lifecycle due to increasing domestic and international competition (Kuncoro & Suriani, 2018). Cases of product innovations by companies include the invention of new products, improvements to existing product, new materials and components, new product development and other aspects (Kero & Sogbossi, 2017).

1.1.2 Competitive Advantage

Competitive advantage relates to an entity's capability to carry out tasks in manner that competitors find it hard to duplicate (Wang, Lin & Chu, 2011). A firm's competitive strategy mirrors the way in which the company aims to outperform its competitors in certain markets (Laosirihongthong, Prajogo & Adebajo, 2014). The competitive

advantage lies in the different characteristics and dimensions of an organization, which make it possible to offer customers better services (Tanwar, 2013). In an entity, competitive advantage is revealed if the organization's undertakings are more profitable than those of its market rivals or if they outperform in other important outcomes of the activities (Cegliński, 2016).

Competitive advantage is essential for satisfied clients who obtain a high value for the products received in order to generate higher revenues that owners demand from management. These requirements can be met by the production organization, a higher application and the lowest production costs (Wang, Lin & Chu, 2011). Firms' competitive advantages enables them fill gaps that competitors find difficult to overcome, and to use these changes for improved firm performance (Shih, 2018). Competitive advantage indicators comprise product quality benefits, price advantages, product differentiation and conformism of goods to the customer taste (Nuryakin, 2018).

Porter segments competitive advantage into three generic strategies to include lowest cost, focus and differentiation (Singer, Bossink & Vande, 2007). A lowest cost approach emphasizes on the lowest cost production (Singer, Bossink & Vande, 2007) and a company uses all of the cost advantage sources and aspires to become a manufacturer of low cost products at the market (Tanwar, 2013). In the strategy, managers prefer its product to maximize sales, especially if it has a substantial cost leverage over its competitors and can further raise its share in the market (Wang, Lin & Chu, 2011). A cost leadership strategy is utmost effective when there are large groups of cost-conscious clients, as the effectiveness of this strategy depends on maximizing efficiency by investing in process technology (Kero & Sogbossi, 2017).

Differentiation entails generating products or services that are distinct and attractive compared to those of rivals (Fathali, 2016). The way companies distinguish themselves from competitors depends on the market and business environment in which they operate (Tanwar, 2013). This consist of new product characteristics or features, product quality, technical superiority, product reliability, all-inclusive customer care and unique competitive ability (Laosirihongthong, Prajogo & Adebajo, 2014). This approach involves production and marketing of quality products that are attractive to relatively cost-insensitive customers. The value generated by this approach is based on meeting consumer desires better than undifferentiated competitors (Kero & Sogbossi, 2017).

Companies targeting focus approach emphasize on specific niche markets and are aware of the attributes of this market and the specific desires of their clients (Fathali, 2016). In this strategy, the company strives for a narrow competitive margin, selects one or several segments in the market, and customizes this strategy to serve them excluding others (Tanwar, 2013). The focus strategy has two options: focusing on the lowest cost when a company picks a subdivision in the market and adapts its stratagem to the segment. The second focus is differentiation, where companies gain a competitive edge in a specific market subdivision and strives to be the market leaders (Singer, Bossink & Vande, 2007).

1.1.3 Real Estate Sector in Kenya

Real estate investment comprises of buying, developing or renting building or space with the view of future returns (Ridzuan & Ali, 2012). The real estate industry is concisely described as a multi-layered, multi-dimensional and substantial sector of economy and as an imperative wealth storage sector in a state (Chartres, 2017). As the real estate industry is human-oriented, the sustainability and development of relationships amongst real estate

clients and agents is seen as a leading innovator (Reshidi, 2015). Real estate investments are extremely capital intensive and the cost of capital will therefore greatly influence the project's success (Dobre, 2011).

Real estate is an industry that influences a country's economic development through capital-intensive investments and the creation of employment to individuals (Reshidi, 2015). In the real estate sector, the dynamics of innovation is directed towards the production of construction materials which, in the long-term aspects, provide comfort and help saving energy, thus making housing even more affordable and more economical (Ridzuan & Ali, 2012). However, real estate innovation strategies tend to be disregarded in both policy and academic debates on growth of real estate firms. Indeed, it is really surprising how little devotion the sector has been given, even though real estate investing and financing is relatively high worldwide (Chartres, 2017).

The Kenyan real estate sector has undergone a number of substantial changes in recent years (Chomba, 2013). However, the sector has become increasingly competitive and robust. The key challenges facing the Kenyan real estate sector entail the growing population, who need more housing and finance both in development and in the final consumer phase (Dobre, 2011). Like many other African states, the Kenyan market is characterized by high demand and a chronic lack of formal housing for the middle as well as low-income individuals. In addition, there are only two financial institutions in Kenya specializing in real estate finance, Savings and Loans(S & L), and the Housing Finance Bank Ltd (Kibunyi, Ndiritu & Gil-Alana, 2017).

Kenya's residential units have achieved an average price rise of 10% over the last five years, while land has achieved an average capital increase of 19% per year (Cytonn Investment, 2016). Big players like property developers in the sector have expanded their business scope to include products like design and construction, project management, sales and letting of complete units (Gikandi, 2016). Key challenges facing the Kenyan real estate sector include high land and infrastructure development costs, frequent political issues which pose a challenge with most investors opting to wait and see thus decreasing trading volume within the sector (Cytonn Real Estate, 2017).

1.1.4 Cytonn Real Estate

Cytonn real estate is an affiliate of Cytonn Investments, which is an alternate asset manager with offices in the US, Finland and East Africa. The company offers investors investment opportunities in the highly growing market within East Africa. The main investors consist of local and international investors, high net worth local individuals and those in diaspora. The firm also services retail individuals through Cytonn Cooperative (Cytonn Investment, 2016). The firm also comprises of Cytonn properties which deals with Agency and Facilities Management to ensure maximization of returns and minimization of costs in a development (Cytonn Real Estate, 2017).

Cytonn Real Estate provides investment grade real estate development solutions and offers the opportunity for other businesses to carry their brand through franchising, giving them a platform to market and distribute their products. The firm further offers training in real estate, business development, sales and marketing ensuring franchisees keep abreast with developments in the market (Cytonn Real Estate, 2017). Cytonn real estate collaborates with other developers and have adopted various technological, process, marketing

innovations to enhance its competitiveness in the market which has helped the company to grow and to offer great investment returns within budget, time and quality (Cytonn Investment, 2016).

1.2 Research Problem

Innovation strategies are significant components of a firm's competitive approach and strategy (Kralewski, 2012). Businesses with effective innovative strategies are effective and swifter in reaction to environmental changes and adopt inventions that enhance competitiveness and firm performance (Malek et al., 2013). For companies, one way to gain competitive advantage is to develop an innovative strategy that is consistent with business trends and in proportion to the company's capabilities and resources (Sh, Rexhepi & Ramadani, 2013). However, despite being innovative, competitive advantage is difficult to realize as companies are exposed to the global and industry competition (Cingula & Veselica, 2010). In addition, innovation is deemed risky, costly and the possibilities of being successful are considered very small which dampens the ability of enterprises especially the small firms (Tavassoli & Karlsson, 2015).

The Kenyan real estate is one of the significant sector in economic development and provision of housing (Kibunyi, Ndiritu & Gil-Alana, 2017). The Kenyan real estate industry contributed 8.4 percent of the GDP in 2016, and recorded a growth of 8.8 percent in 2016 compared to 7.2 percent in the year 2015 (Dobre, 2011). The industry has constantly surpassed other investment categories over the last 5 years and achieved a return of over 25 percent annually, compared to 12% annually recorded among the traditional investment classes (Cytonn Real Estate, 2017). However, the industry has witnessed increasing competition in both commercial and residential properties. Based on KBA's

(2016) Real Estate Price Index (HPI) and reports by other independent entities, the Kenyan real estate sector performance is currently fragile in comparison to preceding years (Mugure & Mbugua, 2017). In addition to Cytonn Real Estate, there are numerous real estate firms in Nairobi competing for clients. This has exposed Cytonn Real Estate to stiff competition compelling them to come up with innovative responsive strategies (Gikandi, 2016).

On an empirical perspective, a number of authors have examined the concepts of innovation and firms' competitive advantage. Studies by Distanont and Khongmalai (2018) in Thailand and Chatzoglou and Chatzoudes (2018) in Greece revealed innovation positively enhanced SMEs and manufacturing firms' competitiveness respectively though the studies context was not real estate firms. In Kenya, Chomba (2013) found that product and technological innovations affect real estate growth in Nairobi while Wanyoike (2016) established that process and market innovation strategies significantly influenced logistics firms' competitive advantage. As such, the studies that exist on innovation strategies acknowledge that innovation strategies influence competitive advantage of firms. However, the studies have focused on different industrial sectors like SMEs, manufacturing firms, other services firms or a cross section of firms. The studies have also used quantitative methodologies like the structural equation modelling and regression analysis. Based on the identified gaps, this study sought to assess, what is the link between innovation strategies and competitive advantage at Cytonn real estate?

1.3 Research Objectives

The objectives of this study were: -

- i. To establish the innovation strategies adopted by Cytonn Real Estate.

- ii. To determine the effect of innovation strategies on competitive advantage at Cytonn real estate.

1.4 Value of the Study

This study's findings shall be of significance to the management of real estate companies in Kenya, as they will use the study conclusions and recommendations to enhance their innovative strategies and competitiveness. The management of Cytonn Real Estate will also get additional information on the how innovation strategies influences real estate firms competitive advantage.

Second, the study findings shall be of importance to policymaking institutions in Kenya to develop strategic policies, which will encourage innovation by real estate firms in Kenya. Various policy maker in the industry including construction firms, construction authorities and relevant government bodies overseeing the operations of the real estate sector may use the study recommendations to develop strategies on innovative practices.

Finally, the study will add on to the existing theoretical evidence on the Schumpeter theory of innovation, resource-based view and the diffusion of innovation theory. The study will further add on to the on empirical evidence on innovation strategies, competitiveness and the real-estate sector and present an avenue for additional studies on the concept of innovation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter entails an assessment of the theories guiding the study under section 2.2 and the various innovation strategies adopted by real estate firms under section 2.3. The section further presents the empirical studies on competitive advantage and innovation strategies and finally a summary of the considered studies and the identified research gaps.

2.2 Theoretical Foundation

The Schumpeter (1942) theory of innovation was the anchor theory guiding this study. In addition, the study also reviewed the Wernerfelt (1984) resource-based view and Rogers (1962) diffusion of innovation theory.

2.2.1 Schumpeter Theory of Innovation

Schumpeter (1942) developed the Schumpeter theory of innovation which asserts that innovation is not an isolated act, but a cluster or series of collective and iterative interfaces that generate inventions despite resistance. Innovation can therefore be understood as a social part of a company as well as a routine, institutionalized practice among large firms (Köhler, 2008). Schumpeter suggests that innovation is a process of industrial change that is constantly revolutionizing the economic structure internally, constantly doing away with the existing one and making a novel one (Śledzik, 2013).

The theory proposes that innovation can be categorized into three parts. The initial part is an inventive process that generates new concepts (Kaya, 2015). The phases of invention or fundamental innovation have less effect, while the imitation and diffusion process have a

greater impact on the state of the economy (Śledzik, 2013). The model proposes that companies have the opportunity to select an innovation approach that encompasses organizational, product, market and process innovation. This innovation approach can be described as simple, as entities choose a specific form of innovation (Karlsson & Tavassoli, 2015).

The theory argues that an entity that strives to earn profits should be innovative which may lead to a different use of the existing means of production. The theory is based on the idea that innovation is seen as a key driver for economic dynamism and competitiveness (Śledzik, 2013). The theory also states that companies can create new revenue prospects by use of innovations (Moldaschl, 2010). In this study, the theory explains that innovation is an essential component for real estate firms as it aids them to ensure sustainable success, competitiveness and firm survival and enhances how to do things better than the current state of the art.

2.2.2 Resource Based Theory

Wernerfelt (1984) developed the resource based view model which asserts that firms internal resources are key in enhancing competitive advantage and an entity's performance (Nuryakin, 2018). The theory advances that resources designate the weaknesses and strengths of a company comparative to its rivals and provide the ultimate yield on the assets controlled and owned by a company (Wang, Lin & Chu, 2011). According to the theory, prosperous long-range stratagems are derived from the distinctive business owned resources (Cegliński, 2016). Such resources include raw production materials as well as management process or knowledge that are evidently held by the entity (Chartres, 2017).

The RBV theory indicates that four proxies can be used to assess the prospect of an entity's resources to create viable competitiveness namely, rareness, value, substitutability and imitability (Laosirihongthong, Prajogo & Adebajo, 2014). Thus, when an entity has valued and scarce resources such as capacities, patents, organizational culture, information, physical assets as well as knowledge, it can leverage the resources to execute value-creation plans that other entities cannot duplicate to achieve competitive advantage. (Bayarcelik, Tasel & Apak, 2014). The RBV provides a way for researchers to explore corporate strategic and resource development, as well as the ability to enhance competitive advantage (Shih, 2018).

The RBV is premised on the idea that the competitive advantage does not depend on the structural attributes of an industry or market, but on the company's superior internal resources (Chartres, 2017). RBV explains that a company can use its resources (intangible or tangible) as well as capabilities (ability to innovate) to gain competitiveness and achieve excellence (Samad & Aziz, 2016). In this study, RBV theory explains that a competitive advantage arises if an entity develops or acquires an aspect or blend of resources, including innovations, to outdo its rivals.

2.2.3 Diffusion of Innovation Theory

The diffusion of innovation (DOI) theory was formulated by Rogers (1962) and explains that diffusion is a way in which innovation is conversed across particular channels over time between individuals in a collective system (Murray, 2009). The DOI proposes five innovative features which either increase or decrease the acceptance of innovations, namely compatibility, trialability, relative advantage, complexity and observability (Rambocas & Arjoon, 2012). Rogers created the categories of adapters that make up the

continuum of innovation: innovators who are more the earliest adapters, the early adopters, early majority, late majority, and lastly laggards (MacVaugh & Schiavone, 2010).

The theory explains that innovation gradually spreads within a single market (user system) where potential users exchange information and views on new technologies via channels of communication (MacVaugh & Schiavone, 2010). The theory states that adoption of new technologies can be applied in three areas. The industry/market sector, which is the (macro) area for the introduction of new technologies. The second (meso) element that covers a set of relations that make up the social system into which potential adoptive innovators are placed. Finally, the individual (micro) aspect, the third analysis level that facilitates the understanding of the innovation process (Rambocas & Arjoon, 2012).

DOI defines the approach in which new practices, ideas or technologies enter the social system (Murray, 2009). The major critiques is that the model fails to incorporate the intersecting effects of dissimilar contexts and areas in which almost completely new technologies are used (MacVaugh & Schiavone, 2010). In this study, DOI emphasizes on understanding why and how real estate firms disseminate technologies and innovative ideas and helps the firms to understand how clients adopt different innovations in the real estate sector.

2.3 Innovation Strategies and Competitive Advantage

The link between innovation and competitive advantage has been theoretical advanced by various authors. The Schumpeter innovation theory postulates that various innovation that can applied to enhance a firm competitiveness include new commodities, new production approaches, different markets, new suppliers and organizational structures (Köhler, 2008).

The diffusion of innovation theory (DOI) postulates that acceptance of innovation is the

comparative promptness through which a new idea is accepted by organizational clients and that supports that innovation acceptance enhances full implementation of new technologies which enhance the firm's competitive advantage (Murray, 2009).

The resource based view (RBV) supports that companies having innovative strategies that can improve the firms' net worth are exceptional and they are not easy to emulate them, plus are capable of organizing as well as exploit them, and the resources could offer a base of sustainable competitive advantage (Wang, Lin & Chu, 2011). The RBV further indicate that supports that innovation is a vital growth driver and the nations that make and use new ideas, as well as breed novelty, tend to grow faster than the nations who do not, firms must have an excellent indulgent regarding the background of new ideas so as to be intelligent in increasing the productivity (Chartres, 2017).

2.4 Empirical Review and Knowledge Gaps

Laban and Deya (2019) investigated how strategic innovations affect the organizational performance of ICT firms in the County of Nairobi. The study collected data from 98 respondents using a structured questionnaire. The multiple regression results revealed that market, product and organizational innovation significant affected performance of ICT firms. The study context was however ICT firms which focus generally on technological innovation thus generalization of the study outcomes to the real estate sector is not possible.

Nuryakin (2018) examined how marketplace orientation affected marketing performance as well as product innovation. Data was collected from 200 SME managers using questionnaires and the regression model for data analysis. The finding revealed that marketing capabilities insignificantly affected marketing performance but significantly affected firms competitive. The study also documented that competitive advantage was

significantly influenced by both product innovation and marketing orientation. The context of the study by Nuryakin (2018) was SMEs and used quantitative methods of data analysis as opposed to this study whose focus is real estate sector and uses qualitative methods.

Kuncoro and Suriani (2018) examined how product innovation affected rabbit meat merchants' competitive advantage. Questionnaires were used for collection of data from 110 merchants where the Structural Equation Modelling with Partial Least Square were used for analysis. The findings documented that product innovation positively and significantly affected firms' competitiveness. Additionally, product innovation had a significant and direct influence on market driving while market driving significantly and positively influenced sustainable competitiveness. The study's context was rabbit meat merchants and not real estate firm and analysis was carried out using quantitative tools thus contextual and methodological gaps.

Dore (2018) assessed innovation strategies and their effects on competitive advantage of health care products manufacturing companies. A descriptive survey was adopted and data collected from 22 manufacturing firms Nairobi using questionnaires. The study using the regression model established that 88.0% of the variation in competitive advantage was accounted for by process, product, technology and market innovations. The study concluded that innovation strategies significantly influence competitive advantage. The study however focused on manufacturing firms and collection of data was through questionnaires and not an interview guide.

Kariuki (2017) examined innovation strategy and its influence on competitive advantage of Kenyan commercial banking entities. A descriptive survey was adopted and questionnaires for used for data collection from managers of the 44 Kenyan commercial

banks. Through the regression model, it was documented that both product and process innovations significantly affected the sampled banks competitive advantage. It was also found that market innovations positively affected the banks competitive advantage. This study however focused on commercial banks and used questionnaires for collection of data.

Fathali (2016) examined competitive strategies and their effect on firm innovation among Iranian automobile companies. Data collection was through questionnaires administered to 286 executives of automobile firms where correlation techniques used for analysis. The findings showed that the Porters' competitive strategies positively and significantly affected corporate innovation. The study showed that process, product and organizational innovation significantly influenced the target, differentiation and low cost strategies. However, the study used quantitative tools for analysis and context was SMEs making it impossible to generalize the finding to real estate firms.

Samad and Aziz (2016) explored how innovation affected competitive advantage of Malaysian foods processing SMEs. The study sampled 220 firm using random sampling methods and questionnaires for collection of data. Using the regression technique, the study established that competitive advantage was positively enhanced by innovation. The context for this study was SMEs and also employed regression model as opposed to content analysis.

Auma (2014) assessed the effect of innovation in enhancing competitive advantage of Kenyan horticultural processors and exporters. Data was obtained via questionnaires from administrators of 49 firms and the multiple linear regression adapted for data analysis. The regression results showed that marketing as well as production innovations significantly

affected the sampled firms' competitive advantage. The focus of the study was horticultural processing and export companies and quantitative tools were used for analysis.

The reviewed international and local studies were carried out in different industrial sectors comprising of SMEs, manufacturing firms and ICT firms hence contextual gaps. In most of the reviewed studies questionnaires were used for data collection while the regression model was used to analyse the data leading to various methodological gaps.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

A study methodology refers to the logical theoretic exploration of the approaches used in a study. This chapter thus consists the study design, the procedure of collecting data, and the process of data analysis.

3.2 Research Design

A research designs entails the research procedures and strategies that span the assumptions of broad decisions to in depth techniques of gathering and data analysis (Sekaran & Bougie, 2011). It refers to the manner in which data is structured to achieve research objectives through empirical evidence (Cooper and Schindler, 2006). It is a plan to answer the reseach question.

This study adopted a case study design which comprises of intensive and detailed study of single unit. Case study research design offers much treasured and focused insights to an occurrence that may otherwise be imprecisely recognized or understood. The case study design was considered due to its ability to give the in-depth account of the association between study variables.

3.3 Data Collection

This study entirely used primary data, which was gathered by means of an interview guide. The interview guide was administered to 10 senior management staff from the various departments at Cytonn Real Estate, comprising of the managing partner, the chief investments officer (CIO), legal officer, finance officer, distribution manager, projects

manager, brand & administration manager, IT manager, PR & communication manager and the human resources manager. The senior management staff were considered since they are well placed in providing the necessary data since they are key in the organization's management.

3.4 Data Analysis

Data analysis refers to the process of packaging the collected information, putting it in order and structuring its main components in a way that the findings are easily and effectively communicated. It involves sorting, classifying and coding to generate units of measures for assessment. (Cooper and Schindler, 2006).

The data gathered using the interview guide was qualitative in nature and was analyzed using content analysis which is a procedure for creating inferences by objectively and systematically recognizing the detailed messages characteristics and use of the same to relate trends. Through content analysis, the generated responses were categorized based on identified themes and the study objectives.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The objectives of this study were to establish the innovation strategies adopted by Cytonn Real Estate and to determine the effect of innovation strategies on competitive advantage at Cytonn real estate. This chapter therefore provides the results of the study objectives. Section 4.2 shows the results of the respondents' profile, section 4.3 presents results on innovation practices, section 4.4 present the findings on competitive advantage whereas section 4.5 provides a discussion of the research findings.

4.2 Respondents Profile

This section sought to identify the respondents' level of management and the period the respondents had worked at the organization. The results revealed that 35% of the respondents were middle level managers, 55% were senior managers and 10% were low-level managers at the organization. The results on the period the respondents had worked with the organization established that 70% of the respondents had worked at the organization for less than 3 years whereas 30% had worked for between 4 and 5 years. This indicates that all the respondents were knowledgeable about the organizations operations, as they had worked with it for a good number of years.

4.3 Innovation Strategies

The study sought to establish the main innovation strategies adopted in Cytonn Real Estate and how effective the adopted strategies were.

4.3.1 Product Innovation strategies

The respondents indicated that the major innovative practice at Cytonn real estate was product innovations that include innovative constructions, new ways of funding, crowdfunding, smart homes among others. They indicated that product innovation entails creation of new products, use of new equipment and construction materials, development of better projects than competitors among others do.

The respondents indicated that the company focuses on changing the available real estate products to meet the changing consumer tastes and preferences as well fit the budget of various clients. Most competitors in the market apply the product pricing strategy where they lower the cost of properties or construct the houses in areas majorly occupied by low income earners to achieve lower cost housing.

4.3.2 Technological Innovation Strategies

Product innovation was followed by technological innovations which included augmented and virtual reality, automation of back-office operations, business and data analytics, platforms to connect sustainable innovations and 3D mapping. Respondents informed us of the say, Cytonn is a technology company that happens to offer real estate services.

The other real estate companies have policies about branding the internet, internet marketing of houses, house payment via electronic transfer and mobile funds transfer. Cytonn Real Estate is more proactive in technological innovation strategies than reactive and that gives them the competitive edge in the market.

4.3.3 Process Innovation Strategies

The respondents indicated that the organization undertook various process innovation like digitization, use of advanced building technology and vertical development respectively. They indicated that process innovation entails significant improvements to the technical process, materials and components used in real estate development. In addition, respondents informed that process innovations focused on improving the technology, procedures and processes used in the development of various real estate projects undertaken by the firm.

4.3.4 Marketing Innovation Strategies

The respondents indicated that the organization undertook various marketing innovation strategies among them digital marketing, social media artificial intelligence, internet of things among others. The respondents highlighted that marketing innovation entails coming up with cost effective marketing innovative strategies which would reach the intended audience.

They pointed out that the company tend to focus more on use of digital marketing forums as well the traditional forms such mass media, newspaper, circulars and frequency publication of real estate indexes. The respondents indicated that the organization had different target groups depending on the customer choices and preferences as well as their budgets. The company major target group includes the developing product for the middle-income class dwellers and different location across the country. The other target group were individual who preferred different units like massionates, flats and other housing units. Additionally, the respondents indicated that Cytonn Real Estate offered differentiated services compared to other real estate firms.

4.3.5 Organizational Innovation Strategies

Finally, the respondent also indicated that the organization undertook various organizational innovation strategies among them real estate operations automation, flexible workspace, healthy workplace and living. The respondents' indicate that the firm focuses on reducing transaction and administrative costs, enhancing job satisfaction among employees among other areas. According to the respondents, the major task under organizational innovation entails continuous review of the organization structure to as to incorporate any changes in the business environment.

4.4 General Findings

The interview guide carried out an assessment on the innovation strategies, which the firm preferred, and the reason behind preferring the strategy. The respondents indicated that the firm did not have a specific preferred strategy but the firm used a combination of product, process, technological, organizational and marketing innovation strategies to enhance the organization performance as well as the competitive advantage. According to the respondents, adoption of one type of innovation would automatically lead to adoption of a different practice hence the innovative practices were contingent and complemented each other.

The study assessed whether Cytonn real estate had reviewed it innovative practices in the last five years and how the firm could compare the firm's competitiveness before and after the review of the practices. The respondents indicated that review of innovation practices was a continuous function and the firm carried out a regular review of the various innovative practice based on changes in the reals estate sector environment and based

competitors decisions and that every review of firms' innovation practice and subsequent adoption of new strategies led to improved competitive advantage.

Additionally, the study sought the respondents' views on costs of innovation and whether the costs affected the firm' competitiveness. The respondents indicated that the initial cost of adopting the innovation for the first time but were high but subsequently dropped. The respondents indicated such cost is normally factored in the specific product which the innovation was based on and that the cost did not have any adverse effect on firm competitiveness as the costs were factored on the final product and is normally passed to the client.

The study sought to establish whether the strategy selected by Cytonn Real Estate had been effective as well. The respondents indicated that the strategies adopted by the firm were effective as the adopted strategies were carefully discussed and its implications assessed before it was put into practice. Thus, according to the respondent the competitive strategies adopted by the firms were deemed suitable and thus enhanced the firm's competitiveness.

The study also assessed whether Cytonn Real Estate adopted other competitive strategies. The respondents indicated that the firm also focused on operational excellence, product leadership, customer intimacy and competitive intelligence. The respondents' also indicated that the firms use various competitive tactics among them long-term tactics, short-term tactics, tactical pricing decisions and tactical product decisions.

Lastly, the study assessed the various challenges that Cytonn Real Estate had encountered in adopting the various competitive advantage strategies. The respondents cited high competition and competitive business environment, fluctuations in land prices, high costs

of construction, lack of transparency in land dealing in Kenya among other land related factors. The respondents' also cited macroeconomic challenges such as inflation, poor economic growth among others, infrastructural challenges and political aspects in the country.

4.5 Discussion of the Findings

A study by Fathali (2016) documents that innovation practices are an engine by which methodologies, connections, and procedures of firms can be improved to enhance effectiveness as well as competitiveness and the major innovation strategies include process innovation, marketing innovation, organizational innovation and product innovations strategies. The study also found that process innovation entails significant improvements to the technical process, materials and components used in real estate development and that process innovations focus on improving the technology, procedures and processes used in the development of various real estate projects undertaken by the firm.

A study by Auma (2014) showed that marketing as well as process innovations significantly affected the sampled firms' competitive advantage. The study also found that marketing innovation entails coming up cost effective marketing innovative strategies which would reach the intended audience. Nuryakin (2018) also documented that competitive advantage was significantly influenced by both product innovation and marketing orientation.

Kariuki (2017) also found that market innovations positively affected the banks competitive advantage. The study also found that organizational innovation focuses on reducing transaction and administrative costs, enhancing job satisfaction among employees

among other areas and the major task under organizational innovation entails continuous review of the organization structure to as to incorporate any changes in the business environment.

Kuncoro and Suriani (2018) also found that product innovation positively and significantly affected firms' competitiveness. The study also established that continuous review of firms' innovation practices and subsequent adoption of new strategies led to enhanced competitive advantage as such adoption sends a signal to the market that the firm was offering unique and differentiated products. This means that adoption of innovation lead to enhanced competitive advantage at Cytonn Real Estate. A study by Dore (2018) innovation strategies significantly influence competitive advantage. Samad and Aziz (2016) also established that competitive advantage was positively enhanced by innovation.

The study established that Cytonn real estate had adopted various innovation practices with the mostly adopted on being product innovation, followed by technological innovations, process innovation, marketing innovation strategies and finally organizational innovation strategies. This finding indicates that the firm did not have a specific innovation practices and used various innovative strategies to advance its competitive advantage. The respondents indicated that the strategies adopted by the firm were effective as the adopted strategies were carefully discussed and it implications assessed before it was put into practice. Thus, according to the respondent the competitive strategies adopted by the firms were deemed suitable and thus enhanced the firm's competitiveness.

CHAPTER FIVE

SUMMARY, CONCLUSION, RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study, the research conclusions based on the findings and recommendations as per the study conclusions. The chapter also presents the research limitations and suggestions for additional research.

5.2 Summary of findings

This study sought to determine the effect of innovation strategies on competitive advantage at Cytonn real estate and found out that all innovation strategies; product, process, marketing, technological and organizational innovation strategies affected the firms' competitive advantage.

The results revealed that the main innovative practices at Cytonn real estate was product innovations that include innovative constructions, new funding ways, crowd funding, smart homes among others followed by technological innovations which included augmented and virtual reality, automation, business and data analytics, platforms to connect sustainable innovations and 3D mapping. The study also found that the firm undertook process innovations like digitization, use of advanced building technology and vertical development and undertook various marketing innovation strategies among them digital marketing, social media artificial intelligence, internet of things among others. The study also found that the firm undertook various organizational innovation strategies among them real estate operations automation, flexible workspace, healthy workplace and living.

The study found that the firm did not have a specific preferred strategy but the firm used a combination of product, process, and technological, organizational and marketing innovation strategies to enhance the organization performance as well as the competitive advantage. The study found that review of innovation practices was a continuous function and the firm carried out a regular review of the various innovative practice based on changes in the real estate sector environment and based competitors decisions. The study also found that every review of firms' innovation practice and subsequent adoption of new strategies led to improved competitive advantage as such adoption send a signal to the market that the firm was offering unique and differentiated products. The study further found costs of innovation did not have any adverse effect on firm competitiveness as the costs were factored on the final product and is normally passed to the client.

The study found that there was no specific strategy which was preferred but the firm used targeting, differentiation and cost leadership strategies but at different levels. The study established that there was no specific strategy which was preferred but the firm used all the three strategies but at different levels. For instance, the respondents indicated that the organization had different target groups depending on the customer choices and preferences as well as their budgets and the company major target group includes the developing product for the middle-income class dwellers and different location across the country. The other target group were individual who preferred different units like massionates, flats and other housing units.

Additionally, the study found out that Cytonn Real Estate offered differentiated services compared to other real estate firms. According to the respondents, the company offered differentiated products as well as services such having additional amenities, flexible

payment modes, transparency in land dealings among others. The respondent further indicated that they also focused on the low cost strategy by offering various housing projects at different costs based on the locations, amenities, size among other attributes of the real estate sector.

The study found that the strategies adopted by the firm were effective and the adopted competitive strategies by the firm were suitable and thus enhanced the firm's competitiveness. The study results also revealed that firm also focused on operational excellence, product leadership, customer intimacy and competitive intelligence. Finally, the study found that a competitive business environment, fluctuations in land prices, high costs of construction, lack of transparency in land dealing in Kenya among other land related factors were the major challenges affecting adoption of strategies by Cytonn real estate.

5.3 Conclusions

The study established that Cytonn real estate had adopted various innovation practices with the mostly adopted on being product innovation, followed by technological innovations, process innovation, marketing innovation strategies and finally organizational innovation strategies. The study thus concludes that Cytonn real estate did not have a specific innovation practices and used various innovative strategies to advance its competitive advantage. The study results revealed that adoption of one type of innovation would automatically lead to adoption of a different practice hence the innovative practices were contingent and complemented each other. The study thus concludes that various innovation strategies complement one another and adoption of one may force the adoption of another strategy.

The study results revealed that continuous review of firms' innovation practices and subsequent adoption of new strategies led to enhanced competitive advantage as such adoption sends a signal to the market that the firm was offering unique and differentiated products. The study thus concludes that adoption of innovation leads to enhanced competitive advantage at Cytonn Real Estate.

The study also found that costs associated with innovation did not have any adverse effect on firm competitiveness as the costs were factored on the final product and is normally passed to the client. The study thus concludes that the cost of innovation do not have an adverse effect on competitive advantage of Cytonn Real Estate.

5.4 Recommendations

The study made the conclusion that Cytonn real estate did not have a specific innovation practices and used various innovative strategies to advance its competitive advantage. The study thus recommends that the management of Cytonn real estate should continue undertaking various innovative strategies since the strategies complement each other as the use of various strategies enhances competitive advantage. Secondly, the study concluded that the cost of innovation do not have an adverse effect on competitive advantage of Cytonn Real Estate. The study thus recommends that the management of Cytonn real estate should invest more resources in innovation as the costs do not adversely affect the firm competitiveness as they are usually incorporated in the final product.

5.5 Implications of the study

In this study, we sought to establish the innovation strategies adopted by Cytonn Real Estate and their effect on the organization's competitive advantage. The findings of study are of importance to the Cytonn Real Estate management as they can use the conclusions and recommendations to enhance their innovation strategies and ensure sustained competitive advantage.

This information will allow policy-makers, trainers, consultants and institutions to design strategic initiatives, tools and actions which will encourage innovation by real estate firms in Kenya. The findings of this study point out the strategies used by a real estate market leader thus other firms can adopt these or develop strategies on innovative practices which is in line with our findings.

Finally, the findings of the study further add on the empirical evidence on innovation strategies, competitiveness and the real estate sector and presents an avenue for additional studies on the concept of innovation.

5.6 Limitations of the Study

This study aimed at assessing the relationship between innovation practices and competitive advantage at Cytonn Real Estate. The study therefore focused on Cytonn Real Estate as a case study hence the findings of the study are limited to the study context and may not be generalized to other firms. This is because different firms use different innovation practices as well as different competitive strategies. In addition, the study focused on the real estate in Kenya and the findings are limited to the real estate sector and not other sectors.

During the research, the research was faced with various challenges when conducting the research that included the fact that the firm ordinarily do not want to give information due to client confidentiality. Additionally, some respondents would not want to give the information as they considered it of reasonable importance. This lengthened the data collection period.

5.7 Suggestions for Further Research

The context of this study was the real estate sector in Kenya and the study focused only on a single firm and did not incorporate other firms in the MNCs which Cytonn Real Estate belongs to. The study therefore recommends a similar study, which will incorporate other real estate firms to establish the innovation strategies that they have adapted and how they affect the organizations' competitive advantage.

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APPENDIX

Appendix I: Interview Guide

Section A: Background Data

1. Management level _____
2. Number of years worked with the organization _____

Section B: Innovation Practices

3. Briefly explain the major innovation strategies adopted in Cytonn Real Estate and how effective the adopted strategies are?
4. Among process, marketing, organizational and product innovation strategies which is the preferred strategy in your organization and why?
5. How does Cytonn real estate carry out process innovation and which key areas does the firm focus on concerning process innovation?
6. How does Cytonn real estate carry out marketing innovation and which key areas does the firm focus on concerning marketing innovation?
7. How does Cytonn real estate carry out organizational innovation and which key areas does the firm focus on concerning organizational innovation?
8. How does Cytonn real estate carry out product innovation and which key areas does the firm focus on concerning product innovation?
9. How many times has Cytonn real estate reviewed its innovative practices in the last five years and how would you compare the firm's competitiveness before and after?
10. How would you rate the costs of innovation in your firm and do the costs affect the firm's competitiveness?

Section C: Competitive Advantage

11. Among product differentiation, lowest costs and the focus strategy, which one does Cytonn Real Estate prefer and why?
12. Has the selected strategy been effective for the firm and why?
13. Outline any other strategies used by Cytonn Real Estate.
14. What are the challenges that have been encountered in adopting the selected strategies?