INFLUENCE OF STRATEGIC INNOVATION ON THE PERFORMANCE OF EAST AFRICAN GASOIL LIMITED IN KENYA

BY

ANTHONY MWANGI NJOROGE

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DECLARATION

Declaration by Student

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

Signed……………Date……………………………………….26th November 2020……...

Anthony Mwangi Njoroge

D61/70749/2009

Declaration by Supervisor

This research project report has been submitted for examination with my approval as University of Nairobi supervisor.

Signed **Date: 26/11/2020**

Dr. Joseph Aranga

Department of Business Administration

DEDICATION

This thesis is dedicated to my God who empowered me during my study, and much more in the research project phase. Thanks be to God who as my wisdom and strength has granted me success in my MBA course.

ACKNOWLEDGMENT

First, I would like to thank God for having carried me throughout this journey, which started 10 years ago, with a Bachelor of commerce degree. It would have not been possible for me to continue with my MBA in strategic management were it not for God's faithfulness and grace that is new every day. The completion of my MBA has been a long journey. I would like to express my deepest gratitude to my supervisor, Dr. Joseph Aranga, for the without his supervision and motivation this would not have been possible. The data collection for the study was a challenge in the current circumstances and I would like to my friends and colleagues without whose interest and co-operation I could not have produced this study. I thank my Church leadership through Pastor Solomon for his stewardship and mentorship. Words fail me in my attempt to thank my family especially my wife Anne Mwangi and my two children Nathan & Delight. I would never be where I am without their encouragement and inspiration.

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LIST OF ABBREVIATION AND ACRONYMS

CEO	**:**	Chief executive officers
EAGOL	**:**	East African Gasoil Kenya (EAGOL)
EPRA	**:**	Energy and Petroleum Regulatory Authority
NOCK	**:**	National Oil Corporation of Kenya
SME	:	Small & Medium Enterprises
R&D	:	Research and Development

ABSTRACT

Innovation is at the centre of organization performance, a situation that has led organizations to adopt strategic innovation aligned to an organization strategic priority. In light of increased recognition of the role of strategic innovation on organization performance, this study was conducted to establish the influence of strategic innovation on the performance of East African Gasoil Ltd in Kenya. Knowledge-based, resource based and disruptive theory guided the study. Case study design was applied in the research with semi structured interviews. Given the nature of the study an interview guide was used in data collection process, with a total of 5 managers interviewed. The study findings showed that East African Gasoil Ltd has adopted strategic innovation in terms of process, organizational and market innovation. The findings also revealed that strategic innovation has helped improve the financial performance and operational performance of East African Gasoil Ltd. The study concluded that adoption of strategic innovation contributes to improved organizational performance. The study recommends that organization should continue to adopt strategic innovation as a way of improving organization performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Innovation is a mechanism that encompasses new products and services being designed, technological process invented in the organization, or intensification of services, products and technological processes existing in the organization. Ramadani and Gregory (2011), argue that for any business to be successful innovation is critical due to the current dynamic business environment. Silva (2012), notes that the potential to innovate varies from one organization to another and is reliant on an array of factors. This implies therefore that the success of an organization is dependent on the organizational capability which involves exploring continuously untapped areas and the application of new inventions to new products, services, processes and organizational systems that positively impact the stakeholders in the long run (Neely, Adams and Kennerly, 2002). In today’s competing environment it is apparent that the purpose of each organization is to fundamentally create a competitive edge and out do competition in terms of performance that will lead to the continued growth of the firm

This study is anchored on three theories; the disruptive, knowledge base and the resource-based theory. Disruptive theory contends that organizations failure arises due to their inability to adopt new technologies in their operations. In order to survive, there is need to appraise the technology that EAGOL is using to improve its performance. Knowledge based theory is positioned on the basis that the organization capability to innovate is bound to the knowledge pool feasible within a firm Subramanian and Yond (2006). We need to determine the knowledge pool that exist in EAGOL and how it can be useful to improve the performance of EAGOL. Resources based theory postulates that for firms to achieve sustainable competition over their rivals they should possess strategic resources over its rivals hence the need to examine the capabilities and resources within EAGOL.

In the past petroleum trade has experienced significant variations in the business environment. This has necessitated petroleum companies to retort properly to the shifting macro-environment by reviewing their strategies. There has been an emergence of significant attraction of many players in the Kenya petroleum industry due to the nature and size of market. Sambu (2010) contends that the market is influenced by four multinational oil companies which include Total, Vivo Energy Kenya ltd and Kenol Kobil, yet it has over 40. In the recent past local companies have also been on the rise to take up market share in this lucrative business. Among the companies is East African Gasoil Ltd (EAGOL) whose market share has been on the rise. The government also has invested extensively in the industry through The National Oil Company (NOCK), storage and pipeline infrastructure through The Kenya Pipeline Corporation and Kenya Petroleum Refineries Limited and the Energy and Petroleum Regulatory Authority (EPRA) which is the market price regulator. The other private owned limited companies consist of, Galana Oil Company, Engen Limited, Gulf Energy, Hass Petroleum, and other independent players.

1.1.1 Strategic Innovation

Yang (2014) postulates that strategic innovation has become a main aspect that is influencing performances of organizations in world today. Strategic innovation therefore refers to the entire process through which companies redesign their business processes, products and services to enable them to provide more superior products and services to their customers (Seybold, 2014).

Powell (2007) defines innovation as a main intrinsic of effectiveness, ingrained in an organizations processes and work flows. Strategic innovation thus demands a firm to look outside of its established structures and business boundaries and engage in an open minded, resourceful research of possibilities Kapln and Plmer, 2008.

Strategic innovation is also viewed as creating of value for customers, the entrance into new markets, and describing the prevailing markets over improvement of value of services as well as products to client (Gebauer, Worch and Truffer, 2011).

Strategic innovation as a tool of growth is geared towards penetrating into new markets, to grow the market share and give a firm strong competitive advantage by instituting different strategies than the competitors (Nbakk and Jensen, 2013). The surge in competition in global markets has pushed companies to grasp the significance of strategic innovation, since the rapidly changing business environment erodes the value added of existing services and products. There are different strategic innovation that can be consolidated in the corporate strategies that can produce results such as better market share performance, productive processes which enhance the customers perception of the firm hence overall improved performance. The strategic innovation used will include the following: marketing, process, organizational and production innovation. (OECD 2006).

1.1.2 Firm Performance

Firm performance is complicated term which may have variety of meaning as long as it associates to performance of organization, ability of the firm to function and finally operations outcomes. The performance of a firm implies the performance of the organization, coupled with manufacturing of services and products, different unit's functions in the firm, employee performance and lastly their work outcome. Firm performance can also be viewed in a wider context as an integral part of business development of the organization. This implies the fact that includes organization growth, market share, and return one quity, satisfaction with investment, profitability and revenue growth. Manyuru (2005) contends that for stakeholders to make informed decisions they require varied performance indicators. There has been consensus that there has been a challenge in measuring firm's performance in theory hence no specific measure can be used in strategic innovation.(Richard et al,2009) March& Sulton (1997) contends that due to existence of these multi constituencies or dimensions not obvious organizational objective can be unitary or that multipurpose of an organization are consistently reliable. They also argue that organizational performance measurement is not easy to speculate organizations various components directing gratification of personal achievement than healthy competition. The ordinary means to measure firm's performance consists of financial capacity consisting of return on equity, return on assets and others. Other means can be measurement of qualitative which comprise of resource generation, research and knowledge, generation of resources, competiveness, learning and teaching.

1.1.3 East African Gasoil Limited.

East African Gasoil Limited is a local petroleum company in Kenya, with operations in South Sudan, Uganda, and Somalia, and supplying petroleum products to the East African region and beyond. EAGOL was established on 13th October 2009 in Kenya and started operations in the year 2010 initially dealing in distribution and retail of petroleum products.

In 2011, EAGOL started to import and export petroleum products for local and regional markets in South Sudan, Uganda and Rwanda and Mogadishu. EAGOL has gradually grown its products volume to attain a minimum turnaround of 63 Million liters per year. Eagol is also working on expanding its retail network. Having started off with one truck stop in the year 2013, EAGOL currently has 5 retail stations and is geared to add 5 more retail stations by the year 2024. The focus is to ensure that it offers an alternative business segment with diversity of service offerings to ensure total customer satisfaction. EAGOL operations are governed and regulated by relevant legislation and regulatory authorities. EAGOL always ensures compliance with all the state laws and statutory obligations governing the Oil Trade Industry and good practices.

EAGOL's vision is to be the premier oil marketing company in the Eastern Africa region where it is determined to not only provide quality products and services but also delight its workforce and customers.

1.2 The Research Problem

The strategy, innovation, and the company's performance are related to the extent that other scholars point out that the strategy adopted is key in competence building. Previous empirical research results confirm that the strategy adopted of the leader or follower in innovation are connected to the degree and nature of innovation used. (Stošić (2013) contends that companies that choose the leader strategy use product innovation while the follower strategy use the process innovation. The process of Learning/unlearning to innovate is established by the daily exercise in which managers establish, and in the specific relationships that comprehend the management learning and decision-making. And at the gist of the procedure of strategic change and innovation are those monopolizing ideas and frames of thought which provide structure of meaning and sense making which in turn filter both environmental and intra organizational signals (Pettigrew et al., 1989).

The petroleum industry in Kenya plays a significant part in developing the country's economy. It makes a major contribution in the transport industry and other commercial industries, which consumes petrol and diesel. The current operational set-up in Kenya's petroleum industry after liberalization has created a turbulent and highly competitive market condition. This shake up in the oil sector has not left behind EAGOL since it has no control over the unpredictable changes in the environment. The best it can do is to strategically innovate to reduce their undesirable effects on the organization performance. EAGOL has the onerous task of strategically responding to these changes to survive and remain profitable. To ensure survival and sustainability in the market place the company has been adopting strategic innovation practices

There are several studies on the relationship between innovation and firm performance. A study by Karabul (2015) on the influence of innovation on firm performance in manufacturing companies in Turkey yielded a significant positive relationship. Likewise, a study done by Alqershi, Bin Abas and Mokhtar (2018) on the impact of strategic innovation on manufacturing SMEs performance in Yemen established that the absence of strategic innovation was the main cause of their poor performance. Locally, study by Kariuki (2014) on the effect of strategic innovation on mobile telecommunication firm's performance in Kenya, concluded that there was a significant positive effect on organization performance due to the strategic innovation practices. In addition, Lilly and Juma (2014) on the study to establish the effect of strategic innovation on performance of commercial banks in Kenya: determined a positive relationship between strategic innovation and bank performance. Likewise, a study by Kemoli (2007) resolved that strategic innovation impacts positively on market performance of Commercial Banks Listed in the Nairobi Securities Exchange.

Notably past studies have largely focused on other sectors such as telecommunications and banking thus necessitating more studies in other sectors such as the petroleum industry in Kenya. Hence the need to address this gap as the study sought to answer the question: what is the influence of strategic innovation on the performance of East African Gasoil Limited?

1.3 Research Objective

To establish the influence of strategic innovation on the performance of East African Gasoil Limited.

1.4 Value of the Study

This research study may not only be beneficial to the administration of EAGOL but also valuable for academic purposes. It will enlighten our shareholders and management on the effects of strategic innovation practices on performance at EAGOL. The findings may be used by the management in advancing growth strategies and the provision of a conducive business environment that ensure growth in market share and improved performance. The findings of this study may enlighten the management of petroleum companies in Kenya on the overall importance of strategic innovation and its influence on organizational performance.

To the policy makers in the government, it will enable them adopt workable policies and strategies that may enhance shareholder value. It may also enable them develop policies that may encourage innovation which in the process will add value to their customers.

The findings may also be of great value to future researchers and academicians. This may not only aid in enhancing the existing knowledge base but also act as a source of reference. The study may also suggest areas for further research that future scholars and academicians can further focus on. Academicians can undertake research on influence of strategic innovation on performance of EAGOL.

CHAPTER TWO: LITERATURE REVIEW

2.1Introduction

The chapter presents the literature review on the theoretical foundation of the study; Types of strategic innovation, empirical literature review and summary of literature and knowledge gap.

2.2 Theoretical Foundation

There are several theories on strategic innovation. According to Halvorson(2012) a theory is a set of inter-connected models that collects and organize ideas and facts about the world. This study will be anchored on three theories namely: knowledge-based theory, resource based theory and disruptive theory

2.2.1 Knowledge based theory

According to Grant (1996) the theory of knowledge base of the firm is grounded on strategic innovation. The capacity of a firm to develop new ideas is dependent on the knowledge pool available in any organization. (Subramaniam and Youndt, 2005). Traditionally, the potential to generate new knowledge and ideas has been related to the frequency of research and development (R&D) activities carried out in an organization. Corporations have embraced the process of revealing their innovation for external knowledge which is described as "Open Innovation" enables accessibility by firms and exploitation of the external knowledge on the other hand focus of core activities are the internal resources (Chesbrugh, 2003).The use of knowledge-based strategy is key in influencing the performance and cost if the innovation well used. Furthermore, newly acquired knowledge, directs the ensuing efforts in innovation (Guadamillas and Forcadell, 2002). Kim and Mauborgne (1997) contend that when innovation is well managed, the firm is able to introduce new precise product knowledge and technologies which result to the build-up of tacit knowledge.

Knowledge base has been instrumental in the success of innovation strategy in the banking sector.

2.2.2 Resource based theory

Penrose (1959) was the pioneer to articulate Resource Based Theory who posits for great performance to be attained there is the need for the resource to be well controlled. Other contributors include Barney (2007) and Lockett et.al (2009), who contends that in strategic management, resource-based view analyses that the capability and resources a firm has that allows them have high performance advantage by having above normal rates returns. According to Morheney & Pandian (1992) they argued that the characteristics of resources and capabilities influence the firm's diversification, performance and sustainability. Resource-based view presumes that persons are enthused to utilize economic resources which are available and the financial situation influences their rational choices (Barney, 2007). The performance of a firm is pegged on how their key resources are controlled (Wernerfelt, 1984). Relevance of resource-based view theory in the study is its function will play the role of analyzing and explaining how competitive advantages achieved are superior. (Sheehan &Toss, 2007). Superior performance attainment critical in Resource-Based View theory (Loket,Thopson & Morgenstern, 2010).

Baney, Wriht and Kechen (2002) contend that each organization has unique profile of physical and elusive resources. The key resources include Resources, Competences and Aptitudes which have variety of meanings in strategic management studies. Resources are possessions of a firm of its accessible factor while capabilities are intricate rolls of skills, attained knowledge, capability and know-how that aid the organization to synchronize tasks within and take advantage of resources to create competitive advantage through managing and putting resources into proper use (Amit

& Shoemaker 34 1993; Barney, 2007; Mckelvie & Davidsson, 2009). Capabilities are important as it gives a firm competitive edge through product or service differentiation which enhanced by technological systems built which respond to needs of the customers which enables firms efficiently compete and ahead of other firms in success rates (Red & Defilippi, 1990; Arend & Levsque, 2010; Anderson, 2011).

2.2.3 Disruptive theory

Disruptive theory states that failure to adapt to new technologies leads to organization failure Christnsen (1997). In order for companies to remain profitable they have to continually engage in upward climbing process. The process is not guaranteed since there are instances of downward trajectory which cripple down the profitability prospects. It has been criticized due to its simplicity and minimal arguments and failure to incorporate the reality. Organizations should be perceived as innovation vehicles and for survival purposes they will ensure continuous development of new products and promote competitive advantage. The concept is applicable for this study in the use of some of the three approaches of innovation and may suggest for more investigations to meet facts concerning the need to adopt market, process and product innovation. Both to amass statistics in backing of a specific approach will demand for exhaustive strategies to influencing key participants to agree, otherwise discard any innovation within the petroleum industry. The entire stakeholder involvement is key to ensure benefits associated with innovation strategy are attained.

2.3 Types of Strategic Innovation

The three dissimilar types of strategic innovations are production, market and process innovation. (Tidd, Bessant, & Pavitt, 2005)

2.3.1 Product Innovation

Product Innovation is the coming up with new goods or services, which include substantial modifications in design of conventional goods, or the introduction of new component in the production of established products (Policy Study Institute, 2010). Product improvements will involve the following; technical design of the products features, research and development and eventually marketing of the new product through commercial activities (Alegre, 2006). There is need to revamp and innovate in the oil and gas companies in order for them to survive in competitive market. There is a new atmosphere of "lower for longer" with reverence to oil prices and want to exploit our competences.

Product innovation involves new product introduction, which takes into account the changing preferences of customers and the current products characteristics which consumers will be willing to pay/buy. Success of product innovation can be measured by increase of the sales volume of the firm and the reduction operating costs.

Sustaining high performance in any given year is remarkably difficult to attain and maintain. But the success of innovation reaffirms the findings of our study that has held true over time: The investment that a company puts on innovation and overall performance in the long run cannot be measured in any way. Instead, what is of importance is the connection of the customers to the products and services the company produces. Other factors of high regard include quality of companies' talent, processes, and decision making (Bary et.al 2018)

2.3.2 Market Innovation

Moreira and Silva (2012) defined Marketing innovation a firm's ability for creating new products administrations for sustainability in the business sector and Naidu

(2010) contends that its increasing of survival chances by upgrading product design, estimation, situation and advancement. In today's turbulent business environment, there is need for new ideas that can completely change any aspect of the value chain. This goes beyond just innovations in products and services. (Birkinshaw et al., 2011).

According to Ren et al., (2010) marketing innovation is a necessary tool for organizations to achieve a sustainable competitive advantage. Most businesses focus only on technological innovations that they complete neglect marketing innovations (O'Dwyer et al., 2009). Marketing innovation will entail continuous and additional adjustments to current activities which enable small and medium enterprises differentiate their offerings with larger firms (Epetimehin, 2011). Ultimately firms are considered to be more innovative when they engage in marketing innovation as part of their overall innovation strategy. According to Grewal and Tansuhaj, (2001); Naidoo (2010) refer to market innovation as a type of incremental innovation.

Hall, Mairesse & Mohnen (2009) contends that market innovations can contribute to productivity and performance through sales value increase through positive change of perception of customers the products produced by the firm but also by accessibility of new distribution channels and new markets for the products of the firm. This translate to increase high volume of sales that contributes to performance through expanded opportunities that utilize advantage of economies of scale in production. The execution of market innovation in service industries will result in new channels and markets that will lead to high economies of scale hence improved profitability translate to high performance.

2.3.3 Process Innovation.

According to O'Sullivan & Dooley (2009) process is what is offered to the end customers once unified set of activities are translated from input to output. These outputs are products or services which are processed from inputs such as raw material, and labour. Other scholar Omachonu &Einspruch (2010) posit Process innovation as new delivery method or improved production while Bergfors and Larsson (2009) describes it as development as a result of internal production objectives. For firms to accomplish high performance and objectives set of the organization there needs for improvement hence the use of process innovation is the current method for advance method of the internal process. Quality of service has become a key factor for customers as opposed to the price of products or services in the past. To deal with this issue, every firm strives to enhance superiority of excellence of their existing goods or services.

Akgun et al. (2009) contends in order to improve efficiency or establish quality of products, continuous monitoring of the process innovation is critical to ensure quality improved which assist retain and attract more customers. Also in order to advance products or service quality and productivity there is need for systems for customer information and feedback reviewed. Reichstein and Salter (2006) postulates to increase productivity process innovation is an essential source which contributes to increased competitive advantage and key for innovation policy in the government. Competitive advantage realized in firms when they become influential and powerful than their competitors. O'Sullivan and Dooley (2009) contend in 1970s till 1980s there was dominance on global markets of cars and electronics by Japanese industries that had gain competitive advantage through process innovation.

2.4 Empirical Literature Review

There are many scholars who have carried out different studies on the topic of innovation. Tuan, Nhan, Giang and Ngoc (2016) examined how performance of supporting firms was affected by innovation in Vietnam. The researcher used a descriptive approach and a selection of listed companies done by purposive sampling from different industries including, electronics, motorbike and automobile. A structured questionnaire was used to collect key data. The target population was 150 chief executive officers (CEO) of these firms who filled the questionnaires. Analysis of data done by use of descriptive statistics.

Study by Prifti & Alimhmeti (2016) concentrated on the impact of market innovation and on the performance of organizations in Albanian. There was use of Descriptive research and 99 firms selected by use of random sampling. Main data was gathered by use of a structured questionnaire and the analysis done by use of structural equation modeling. The outcomes showed a link between marketing innovation and artificial intelligence.

The study done by Aswani (2010) on the effect of strategic innovations on the performance of public universities, revealed a significant explicit association between strategic innovation and performance of public universities. Another study by Kemoli (2010) on the relationship between strategic innovations and the performance of commercial banks registered in the Nairobi Stock Exchange concluded that incorporated innovation in their strategies and introduction of new and customer value. Meanwhile Karanja (2009) in his study in Kenya on insurance companies and innovation strategies determined that in order for firms to secure competitive edge and superior shareholder value there was need for superior technology-enabled innovation strategies.

Comparative research studies were conducted by Wolf and Pet (2005), Walker (2009) on effects of product and process innovations on firm performance. They revealed that a firm's growth relied on particular product improvements. For bank to have a competitive advantage there was need for product innovation in their brands or products. While market innovation allows creation of new markets and on the operations of bank the process innovation critical hence boost efficiency and effectiveness. The innovation in technology enables information to flow with ease and expeditious delivery to persons intended to receive it (Ngugi&Karina, 2013).

Another study by Kamaki (2014) which examined the influence of commercial banks performance and product innovation in Kenya. The study adopted descriptive research design and statistics of 43 licensed commercial bank operating in Kenya. Data was collected by use of Semi structured questionnaire. The findings indicated that innovation led to increased performance, organization efficiency and command of market share.

Lusweti (2009) conducted his study on radio stations in Kenya on innovation strategies they have adopted. It concurred the essence of innovation strategies in any business and hence the company should not shy away from cost of innovation as long as organizational objectives are accomplished. In strategy analysis interest, the kind adopted either collaborative or competitive strategies is essential in overseeing and implementation of innovation.

Lilly and Juma (2014) in their study to establish the influence of strategic innovation on the performance of commercial banks in Kenya. In relationship between new product development and performance of commercial banks, continuous engagement in introduction of new products and services, upgrading of the existing systems as well as introduction of new software for business operations greatly affect the ability of the commercial banks to perform. Product innovation therefore has a greater influence to the performance of the commercial banks which are also positively related.

Odhiambo (2008) in his study undertaken at Standard Chartered Bank on the innovation strategies adopted they found out due to emergence of globalization there have been need to maintain the existing customers hence they have had to revamp their ways of doing business to ensure they remain afloat. The innovative strategies used can center on different areas of the operations of the business which includes better products in the market, advancement in technology and customer care.

2.5 Summary of literature and Knowledge Gap

This section outlines the details of empirical and theoretical perspective of the existing literature. The theories to be used namely: resource-based theory, knowledge based and disruptive innovation theories, which analysed and direct the variable behaviours in the study. There were also past studies in tandem with specific objectives of the study, which included the market innovation, product innovation and process innovation. Despite all these studies, few have been done with regard to the petroleum industry in Kenya. This creates a knowledge gap that exists in this field.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents research methodology that was employed which includes research design, data collection and analysis.

3.2 Research design

The research employed a case study approach to give comprehensive understanding of the influence of strategic innovation and performance in EAGOL. Case studies entail contextual analysis which is a relationship of limited but detailed number of events or conditions. (Kothari 2008). This type of design in particular is used by social scientists to examine existing real life events by use of qualitative research hence allows use of application of ideas and extension of methods (Stoic, 2013). The research design was used to find out the influence of strategic innovation on performance of EAGOL.

3.3 Data Collection

The study used primary data, which was gathered through the use of an interview guide. Open ended interviews with managers was conducted using a checklist guiding the interviews. The interview focused on getting qualitative data which will require the interviewer enquiring through face to face. This method is generally preferred since it allowed the researcher to probe the respondents for vast and rich amount of data. The respondents of this study were the departmental heads from Strategy, Human resources, Information Technology, Finance and Administration and operations. These groups were considered to be key informants for the study. Key informants are considered to have firsthand knowledge that can assist in understanding the effects of strategic innovation on the performance of EAGOL.

Complementary sources including company and industry newsletters, published reports and any other relevant sources about the organization will be the source of the secondary data.

3.4 Data Analysis

Data gathered was checked for its validity, completeness, accuracy and consistency. Descriptive statistics for example the percentages, mean, median will be used to determine the distribution of data on the respondents of the company.

The qualitative nature of the data that was obtained will require the use of content analysis for the purpose of establishing the link between strategic innovation and the organization performance. According to Mugenda and Mugenda (2003), content analysis entails making of inferences by relating trends obtained through systematic and objective identification of characteristic messages.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents results, analysis of data and discussions. Primary data was collected using strategic management interview guide that was developed from literature review. Data collected was transcribed, coded through pattern coding and later analyzed through content analysis, with results presented in this section according to themes that answer the research objectives.

4.2 Response Rate and Demographics of the Respondents.

The section describes the response rate of the study and the general characteristics of the respondents. Given the qualitative nature of the study, the study targeted a small sample size of key managers at East African GasoilLtd.

4.2.1 Response Rate

Of the 5 head of department targeted, 4 interviews were administered representing a response rate of 80% of the intended targeted departmental managers from East African Gasoil ltd. This is in line with the suggestion by Mugenda & Mugenda (2004) that a response rate of 80% and above is excellent for analysis. Hence the data collected was deemed as suitable for analysis to answer the research objective. Given that the study relied on an interview guide that was open ended, 4 interviews realized from the data collection is more than suitable for providing insights on research objectives as suggested by Creswell (2012).

4.2.2 Demographics

On the gender of the respondents, 2 of the respondents were male which represents 50% of the total while the other 2 were female which also represents 50%. Though this was not expected it shows that gender equality is practiced at the top management of East African Gasoil ltd. Hence it can be suggested that East African Gasoil ltd has complied with the requirements of gender equality law in Kenya.

In terms of department, the respondents were from the department of strategy, Human Resource, Information Communication and Technology and Administration and Operations department. It is evident that all the managers in the departments that deal with innovation were involved in the study and this enhances the credibility of the findings on understanding influence of strategic innovation on performance of East African Gasoil Ltd.

Of all the managers interviewed, three of them had master's degree while the remaining one had degree level of education. This reveals that most of the managers were acquainted with concepts of strategic management since all of them had done business related masters. All the managers had worked in the organization for not less than 3 years, with all the managers having worked in their current position for not less than 2 years.

4.3 Strategic Innovation Adopted by East African Gasoil Ltd

All the respondents confirmed that East African Gasoil Ltd has adopted innovation in various ways. It was clearly stated by the respondents that the company has adopted strategic innovation in relation to processes and operation majorly. All the respondents confirmed the company has been at the forefront of adopting innovation that can enhance the performance of its retail stations across the country. As part of these process, the company has continuously adopted the innovation on gasoil fuel management, debt collection systems and retail management system. On the one hand, two of the respondents also indicated that the push to adoption of various innovation at the company has been necessitated by the ISO certification compliance. In relation to this, one of the respondents opined that the company's adoption of innovation in gasoil fuel management has largely been motivated by the need of the top management to adopt best management practices in the market.

Furthermore, the interviewees pointed out that most of the innovation adopted by the companies emanates from various department who collaborate together in pursuing the company's strategic direction. In the context of strategic innovation of the company, it was evident from the respondents that strategic innovation team is at the centre of the company innovation initiatives, with representative from sales, marketing, finance and operations playing an active role in developing innovation strategy. From the interviews it also emerged that the firm strategic innovation was open innovation. This according to the interviews meant that the firm adopted innovation both from external and internal sources. In reference to this, most of the interviewees argued that the firm adopted innovation externally, with innovation related to gasoil fuel management being adopted from the existing innovative products in the market. On the contrary innovation pertaining to retail management system and debt collection system was developed internally by the strategic innovation management team.

In relation to how the company pursues strategic innovation practices, most respondents claimed that it is preceded by the analysis of the market opportunities and the company's internal resources. However, it emerged from the interviews that the analysis of market opportunities is prioritized in the company's strategic innovation approach. Based on the market opportunities, the company develops strategies that guides and determines its action. One respondent also indicated that the company's strategy also determines the nature of market innovation and process innovation that the firm actively pursues.

Respondents were asked to give their views on the type of strategic innovation which is best implemented in the company. The responses showed that the company implements strategic innovation relating to process innovation, market innovation and organization innovation. In relation to process innovation the company has continually adopted the latest technology on retail fuel management at its petrol stations across the country. Accordingly, one of the respondents expressed that the company has a policy to continually adopt the best available technology on fuel management. Process innovation adopted by the firm is largely driven by the adoption of technology innovation in its operations. Given the limited resource constraints available to the company, the respondents stated that all of the technology used to drive process innovation is adopted from external sources.

The respondents were in agreement that another form of strategic innovation that has been adopted by the company is organization innovation. The participants stated that the company has over the past few years laid significant emphasis on cost reduction through the use of technology. As a result, the respondents argued that the company has significantly prioritized organization innovation. In all their accounts surrounding the adoption of organization innovation, the respondents acknowledged that the company has adopted innovation that has reduced the use of human resources significantly in most of its processes. For instance, the respondents cited the development of debt collection system and customer/ retailer software as having contributed to reduction in use of human labour at the organization. Another theme to emerge in relation to organization innovation is the role of ISO certification. According to one of the interviewees, the organization ISO 9001: 2015 certification that calls for quality management systems in line with the highest professional standards aiming for continual improvement and customer satisfaction has also contributed greatly to the adoption of organization innovation.

It was suggested by the respondents that another type of strategic innovation that is gaining traction in the company is the use of market innovation. From the interviews, two of the interviewees reported that the company has partnership with Caltex oil and through this partnership it has managed to influence packaging and pricing of the products. In this regard the respondents argued that as partners and distributors of Caltex brand they have been able to lobby for introduction of product in different packaging and prices. This implies that market innovation by the company has been done through strategic partnership forged with other firms.

Concerning strategic innovation, the study sought to ascertain the least type of strategic innovation adopted by the company. The findings established that most respondents asserted that market innovation was the least type of innovation adopted by the company. A number of reasons was attributed to this. First, the respondents argued that market innovation in relation to other types of innovation requires considerable financial resources. Secondly, the respondents also stated that the company is a distributor of different products, and hence it cannot push market innovation on its own but only in conjunction with its partners, and as far as they allow it. Finally, another reason linked to low adoption of market innovation is the lack of a strong research and development team, with one of the participants stating that the company is in the early stages of developing R&D department.

The respondents were asked whether the company has embraced retail network expansion. The findings established that there was consensus amongst the all the respondents that since the company is an oil marketing company, retail network expansion is at the heart of the company strategy. To this extent, the respondents stated that the company has at least added one new retail outlet each year, and was gearing at adding two retail outlets this year. However, the covid-19 pandemic has led the company to put a brake to its expansion plans this year until the following year.

The respondents were asked to explain how modern technology has been utilized to enhance strategic innovation in your company. Accordingly, the respondents stated that the use of technology has been at the heart of the company's strategic innovation. This is because largely all the organization and process innovation that has been adopted by the company has a technology component as its main driving force. Another reason given to the prominent role that technology play in the organization strategic innovation is due to the nature of the organization business. The involvement in oil marketing business predisposes the company to use technology across its fuel retail outlets, and any innovation pursued by the company must also include retail outlets.

4.4Performance at East African Gasoil Ltd

This section focuses on the analysing the views of the respondents concerning the influence of strategic innovation on customer relationship, business performance, operational efficiencies and market share. Themes emerging from the responses are presented, with their interpretation in this section.

The respondents were asked on their views about how the adoption of strategic innovation has improved their relationship with customers. There was a sense of agreement amongst the interviewees that strategic innovation through process innovation has greatly benefited the company on customer relationship management. The respondents agreed that the introduction of retail outlets management system has significantly helped in information sharing with customers. To further emphasis the role that strategic innovation has played in customer management specific mention was given to the role that technology has played in record keeping. Some of the interviewees argued that period before the introduction of retail outlets management system was always characterized with complaints from customers about lost records. Following the introduction of the retail outlet management system, the participants agreed that customer relationship management has improved significantly as all the up to date customer records are available. Another area that strategic innovation has helped in customer relationship management is on debt management. The company through its debt management software has also been able to access all information just by a click. This has saved the customers the pain of making frequent calls to the headquarters as was always the case.

The respondents were asked about their views on how the adoption of strategic innovation has enhanced business performance over the last five years. From the interviews the most significant effect of strategic innovation was felt on the company bottom line. Since the company deal with petroleum products characterised by thin margins, the sustainable management of the company's debt has been greatly influenced by strategic innovation resulting to increased profits. As a result of using debt management system coupled with retail outlet management system, the company has been able to reduce debt, monitor and reduce wet stock losses with one respondent stating that the company has reduced bad debts by over 80% following the introduction of debt management technology. Therefore, the company has witnessed significant improvement in the company profits. Another way through which strategic innovation has impacted business performance of the company is through improved sales of some petroleum products. As a consequence of the company participation in the market innovation of Caltex lubricants products, the company has witnessed an increase in sales of the products over the past 3 years. This has improved the sales turnover of some petroleum products thereby increasing the company revenue streams. Through customer relationship management, the organization has also been able to improve customer experience, monitor patterns of purchasing and payment history, a situation that has enabled the company to package promotional activities thus further improving the performance of East African Gasoil Ltd.

The respondents were asked about how strategic innovation has impacted on the operational efficiencies over the last five years and the participants were unanimous that strategic innovation has reduced operational costs and improved operational efficiencies. In all the cases, the respondents reported that the adoption of organization and process innovation has greatly helped reduce operational bottlenecks related to increased used of human resources. The company's strategic shift to technological resources through strategic innovation has improved seamless operation in the company thereby improving operational efficiencies significantly. Technology has also led to the reduced use of man-power through increased automation of system thereby reducing human errors and costs.

The respondents were thereafter asked whether the adoption of strategic innovation practices has improved their market share. To this question there was mixed views. Three of the participants felt that the use of strategic innovation has not necessarily resulted to increased market share. This is because according to these participants improvement in market share is tied to increases in retail outlets, and is not really a factor occasioned by adoption of strategic innovation. On the contrary, one participant felt that the adoption of strategic innovation has helped improved market shares in certain segment of petroleum products and not all. For instance, this participant argued that following the organization participation on market innovation with Caltex, significant sales has been witnessed from these portfolios. This is viewed as an indicator of market share as market sales can be used as a proxy measure of market share.

Finally, I sought to know from the respondents the company's achievement that can linked to strategic innovation. All the participants were in agreement that as a result of the company's use of strategic innovation the organization was able to be ISO certified compliant within the shortest period. The respondents attributed this to the emphasis that the company has been putting to customer quality and satisfaction through the use of strategic innovation. Hence it can be suggested that strategic innovation has been beneficial to the company in the realization of ISO certification.

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on summary of findings as highlighted in chapter four, presented based on objectives of the study, and gives the conclusions and recommendations. The objective of the study was to determine the influence of strategic innovation on the performance of East African Gasoil Ltd.

5.2 Summary of Findings

The study achieved a response rate was 80% which was deemed a suitable and good for the study. In addition to achieving a good response rate, the study realized a representative sample who participated in the study as they came from different backgrounds. Equally gender representative was also achieved in the study while all the interviewees had been in the company for at least 3 years thus very knowledgeable on the strategic initiatives of the company. Nearly all the managers interviewed had Master's degree level of education, with the remaining one having degree level of education.

5.2.1 Strategic Innovation at Gasoil Ltd

The findings revealed that East African Gasoil Ltd the adopted strategic innovation in relates largely to process market and organization innovation. The findings also revealed that the strategic innovation at the company was largely driven by both internal and external factors. The findings also indicated that in terms of level of adoption, process innovation is the most adopted innovation followed by organizational innovation and lastly market innovation. The findings showed that reasons for low adoption of market innovation by the company relates to the organizational resources and the nature of company business.

The findings established that the East African Gasoil has strongly embraced retail network expansion at the heart of the company strategy. Further the findings indicated that retail network expansion has largely been done in conjunction with organization and process innovation. The findings further revealed that the adoption of process and organization innovation in retail network expansion has largely been driven by the use of technology. This it was established is due to the nature of the organization business that necessitates it to put technology at the forefront.

5.2.2 Strategic Innovation and Organization Performance at East African Gasoil Ltd

The findings revealed that there was a sense of agreement amongst the interviewees that strategic innovation through process innovation has greatly benefited the company on customer relationship management. The findings showed that organization innovation has also led to the improved financial performance. Strategic innovation it also emerged has impacted business performance of the company through improved sales of some petroleum products.

The findings also revealed that the adoption of strategic innovation has helped the company reduce operational costs and improved operational efficiencies. In regards to market share, it was established that strategic innovation it was found has led to minimal increase in the company's market share. This was attributed the company's business model that places emphasis on volume of products sold, and this is largely dependent on retail network expansion Strategic innovation practices at the company it was also established has helped in the realization of ISO certification within the shortest period.

5.3 Conclusion

The study concluded that there is indeed East African Gasoil Ltd has adopted strategic innovation. Adoption of strategic innovation at the company has been along the lines of process innovation, market innovation and organizational innovation. The adoption of strategic innovation at the company it was realized has impacted the organizational performance of the firm positively. More specifically, strategic innovation has led to improve in the organization profits, operational performance and customer management. The findings also conclude that strategic innovation has not influenced market share at East African Gasoil ltd.

5.4 Recommendations

From the finding, it is recommended that the organization should increasingly pursue strategic innovation, as this would greatly enhance the performance of the company. The study also proposes that oil firms' managers strongly prioritize organization innovation, process innovation and market innovation practices as this has the greatest potential improving the oil firm overall performance. The study findings showed that organization performance and process innovation is largely driven by technology. Hence the study recommends that oil firm managers adopt technological innovation in conjunction with other forms of innovation for better performance. Given that the organization adopts more process and organization innovation, the study recommends that organization should prioritize more resource allocation for strategic innovation activities. This will significantly improve the performance of EAGOL. The oil firm should develop stronger strategic partnership as a way of strengthening their market innovation practices.

5.5 Limitations of the Study

One great limitation of this study was that the organization was purely a qualitative study which has limitation in establishing the influence of strategic innovation at the company. In relying on views of the company, a clear picture on the influence of strategic innovation may be biased as it is dependent on the subjective responses of the top managers who participated in the interviews.

5.6 Suggestions for further Research

The study recommends that a similar study be done on the other large marketing oil firms for the purposes of understanding in a bigger picture the influence of strategic innovation on oil marketing firms.

Further research that entail the use of mixed study design (qualitative and quantitative) should be conducted to not only analyse the effects of strategic innovation on performance but also get explanation on why it influences the organization performance.

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APPENDICES

Appendix I: Interview Guide on Influence of Strategic Innovation and Performance of East African Gasoil Ltd

Kindly answer all questions. The information requested will be treated with confidentiality and will be used only for academic purposes.

SECTION 1: BACKGROUND INFORMATION

1. Which department do you work?
2. Which is the highest level of education you have achieved?
3. How long have you worked for this organization?
4. How long have you worked in your current position?

SECTION 2

1. In your view how has strategic innovation been adopted by East African Gasoil Ltd?
2. In your view, which type of strategic innovation is best implemented in the company?
3. In your view which is the least type of strategic innovation adopted in the company?
4. In your view how has the retail network expansion been embraced by the company?
5. Please explain how modern technology has been utilized to enhance strategic innovation in your company?

SECTION 3

1. In your view, how has the adoption of strategic innovation improved your relationship with customers?
2. Kindly tell me how the adoption of strategic innovation has enhanced business performance over the last five years?
3. Kindly tell me how strategic innovation has impacted on the operational efficiencies over the last five years?
4. In your view, has the adoption of strategic innovation practices improved your market share?
5. In your view what are some of the achievements gained by East African Gasoil Ltd from t the adoption of strategic innovation?

Appendix 2: List of Department Involvement in Interviews

General manager
Operations Manager
Human Resource Manager
Retail Outlets Manager
Finance Manager