

**EFFECT OF INNOVATION STRATEGIES ON COMPETITIVE
ADVANTAGE AMONG SAVINGS AND CREDIT CO-OPERATIVE
SOCIETIES IN MOMBASA COUNTY, KENYA**

BY

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DECLARATION

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

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

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DEDICATION

This project is dedicated to my parents my father the late Charles Lisangari and my mother Mary Lisangari who instilled in me at an early age that education will open many doors and that success requires hard work, sacrifice and never giving up. I am grateful to them for the sacrifice of denying themselves many things to ensure that I did not lack anything in my journey of learning.

ABSTRACT

The nature of the environment that SACCOs operate in is competitive, dynamic and uncertain hence SACCO's are always trying to achieve competitive advantage by attaining some sort of competitive edge and in some cases this may mean survival or achieving market leadership status through various ways but the major one is through increase in their membership. A key ingredient for achieving this or staying ahead of competition is through innovation. To be innovative means doing things differently from competitors, having broad perspectives, being able to take risks and constantly embracing changing technology hence being flexible, SACCOs in Mombasa County are no exception as the increasing significance of innovation is paramount if they are to achieve competitive advantage. The overall objective of the study was to determine the effects of innovation strategies on competitive advantage among SACCOs in Mombasa County. This study was guided by various theoretical and literature reviews. This was a descriptive cross-sectional census survey research. The study used primary data which was collected using a semi-structured questionnaire. Descriptive statistics data analysis methods were employed to analyze the quantitative data obtained. The study found out that the need to improve cost saving initiatives and extend product range among the main factors influencing the adoption of innovation as a strategy for achieving competitive advantage. The findings revealed that the costs associated with innovation are too high and that product innovation is what is mostly used by SACCOs in Mombasa County. In light of the findings, the study recommends that the SACCOs should focus more on market research to have a strong basis to base their innovation. Information technology should also be well incorporated for the innovation to be sustainable.

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ABBREVIATIONS AND ACRONYMS

RBV	Resource-based View
SACCO	Savings and Credit Co-operative
FOSA	Front Office Service Activity
BOSA	Back Office Service Activity
SASRA	Sacco Societies Regulatory Authority
CEO	Chief Executive Officer

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

One fundamental instrument of growth strategy to penetrate new markets and increase the market share of a firm is innovation which acts as a catalyst in providing the company with competitive advantage. As markets become global interest in innovation, innovation process and innovation management has escalated. Institutions have realized the importance of innovation in response to changing demands and lifestyles of customers and in order to maximize on opportunities offered by technology, structure dynamics and changing markets to achieve competitive advantage. Institutions can attain competitive advantage through adopting innovation, and this can be done through product innovation, process innovation and marketing innovation. Drucker (1985) stated that innovation is a tool which entrepreneurs can use to exploit opportunities brought about by change for different service or business, capable of being learned and practiced as a discipline. Porter (1985) stated that when firms sustains profits exceeding the standard of the industry then that firm is said to have competitive advantage. Porter (1990) firms that adopt competitive strategies different from its competitors would achieve competitive advantage and this plays a big role in determining the firm's survival in that particular line of business. D'Cruz and Rugman (1992) competitiveness of a firm occurs when a firm designs, produces and market their produces far more superior to those offered by the firms rivals. The current market alterations happening all over the globe reveal why it is crucial for all players in that industry to innovate hence it is almost impractical to find any player in the industry, who says no to innovation (Hurley and Hult, 1998). Innovation is no longer an opulence, but a must-have (Kaplan and Waren, 2007). Therefore, we can conclude that

innovation is the transformation of knowledge to commercial value through increasing efficiency and profitability of companies which in turn translates to competitive advantage.

The theories underpinning the study are Schumpeter theory of innovation and Resource based view (RBV). Schumpeter (1934) argued that entrepreneurs who are very innovative create new opportunities for new profits. The innovation becomes a new product in the market which competitors imitate due to the super normal profits enjoyed by the originator of the idea. The other theory is Resource Based view. Oliver (1997) contents that if a firm is able to manage its resources then that firm will achieve competitive advantage in the long run. Resource-based theories emphasize the significance of the interior-firm-specific knowledge, assets and potential in creating competitive edge (Rindova and Fombrun, 1999). Resource-based view of strategy examines assets and abilities of firms which enable them produce superior return and achieve competitive advantage (Amit and Shoemaker, 1993). The two theories are resonating well with the study since they underline the role of innovation as a resource in creating competitive advantage. Thus, an organization to beat competition in this ever turbulent and competitive environment needs to utilize the available resources for competitive advantage.

Kenya Vision 2030 has three key pillars: social, economic and political. Co-operatives have contributed to the vision through the economic pillar whose aim is to have a competitive and vibrant financial sector which aims at driving high amounts of savings which can be used for investment. SACCOs play a key role in mobilization of financial resources and will be a major player in realization of the national Vision 2030 (Dunda, 2010). According to Chaddad and Michael (2004) Cooperatives represent a critical role

in the economy and this is evident by the levels of market share and asset ownership. Kenya's cooperative sector has contributed immensely to the socioeconomic development of its members and the nation at large. The sector has impacted the lives of millions. The SACCO sub sector has experienced rapid growth in the past years at the rate of about 25% per annum and now boasts of a savings mobilization of Ksh.180 billion and an asset base of Ksh.200 billion. The mobilized savings represent 31% of the total national savings (The East African Standard of March 2010 p. 21). The cooperative sub sector occupies a strategic position in the socio-economic growth of the country. The movement plays an important role in employment, food security and wealth creation. Cooperatives have for long provided infrastructure which people from all levels in life be it the rich, poor or the middle class come together to improve their social ,cultural and economic well-being. Cooperatives are in every industry the majority being in the agriculture, financial, healthcare, housing and telecommunication (McDaniel and Gitman, 2008).

1.1.1 Innovation Strategies

Thompsons (2007) Innovation is the creation, implementation and acceptance of new procedures, products/ services or ideas. Damanpour (1996) Innovation process has various stages where organizations convert ideas into modern/refined services, outcomes, or procedures, so as to differentiate, challenge or advance themselves profitably in their marketplace. There are many types of innovation offered by various scholars but five are often used these are product/service; process; marketing; organizational and business model (Weiermar, 2006). In this research the focus will be on three innovation strategies which are Process innovation, product innovation and marketing innovation.

Product innovation- This is the launch of a service or good that is current or notably updated in terms of its usage, specification, materials, its component parts, its function characteristics, user friendliness, incorporated software and/or other functional components (OECD, 2005). Product innovations can make use of new technologies or new knowledge or a combination of both the existing facts and technologies. The word product covers either services or goods. Product innovation is a challenging and often time's difficult process driven by short product life cycles, changing customer needs, advancing technologies and increasing global competition.

Process innovation –This is the application of significantly up to date or better delivery and production methods. This encompasses notable changes in equipment, expertise and/or operating system. Process innovations can be deliberate for various purposes such as to increase quality, decrease price of delivery or production, to strengthen quality, or to deliver or produce updated or upgraded products (OECD, 2005).

Marketing innovation- This is the application of up to date marketing methods including notable changes in product placement, product design, pricing, product promotion and packaging (OECD, 2005). Marketing innovations aims at tackling consumer needs more appropriate, starting up new markets, or placing a firm's commodity on the market with the intent of increasing firm's sales.

Organizational culture and structures ought to aid the innovative practices for them to result to profits (Dodgson, 2001). Innovation strategy gives bearing and centers the effort of the whole organization on a general innovation goal. The innovation strategy should also describe how the significance of innovation will be conveyed to employees and

should also contemplate the significance that management assigns on innovation (Clayton, 1997). Businesses innovate to seek new competitive advantages and also defend their existing competitive position. A firm may take a proactive method to gain strategic market positioning or it may take a reactive approach to innovation so as to keep away from missing market share from other innovative competitors. (OECD, 2005).

1.1.2 Competitive Advantage

When a firm attains surplus that outclass the normal for its field then that organization is said to have competitive advantage over its competitors (Porter, 1985). Competitive edge is the state that an organization holds over its rivals. Developing competitive advantage contends to take defensive or offensive steps towards a feasible market placement that strongly manages competition while producing higher-ranking returns and performance (Porter, 1998). Competitive advantage includes varying outlook from the organizations physical surroundings to society, to the financial resources and institutional procedures. Kim and Mauborgne (1999) states that competitive edge has triple core support that firms should use for their refinement or success and they cover social, monetary and environmental accomplishment. For organizations to maintain their competitive advantage they require strategies that makes the business unique and that which helps steer the company forward as the world around it changes.

Firms face similar changing environments and competitive advantage is gained by implementing appropriate innovative strategies. Competitive advantage can be said to be the continued reward of applying certain distinct or benefit producing strategy founded on uniquely combining inner organizational capabilities and resources that cannot be

copied by competitors. It is the benefit that permits an organization to remain alive against its rivals over a prolonged time period. Competitive advantage is “evolution that meets requirements of the current generation without undermining the potential of later generations in meeting their obligation” (Kihumba, 2008). A company is said to have competitive advantage when it has an upper hand over its competitors in safeguarding and securing against competitive forces (Damanpour, 1996). Competitive edge is usually generated out of mastery that produce extended gain to the organization.

A competitive advantage results when a business organization is competent to administer identical benefits as its rivals at a lesser cost that is cost superiority, or convey benefits that surpass those of competitors or rival products that is differentiation advantage. A competitive lead enables a firm to produce better profits and also create superior value for its customers (Barney, 1991). Oliver (1997) advances that for firms to achieve competitive edge, customers must identify some sort of disparity among an organization’s product offering and rival products. For businesses, the method to attain competitive advantage is to generate a competitive plan that is unique and in-line with the inclinations of the industry that the firm operates in and that the strategy should be suitable to the organization’s capability and resources which can be attained through innovation (Porter, 2006).

1.1.3 Savings and Credit Co-operative Societies in Mombasa, County Kenya

SACCOs are member-owned financial institutions whose main business is to mobilize savings from its members then extend credit facilities or services to its members. SACCO’s main goal is to accumulate savings for members and in addition advance them

credit facilities. Another aim of SACCOs is to champion thrift amongst members and nurture society in the right administration of cash through investments conventions. In towns wage and salary earners have established urban SACCOs in rural areas, farmers have formed Rural SACCOs. SACCOs have distinguished themselves as convenient channel for savings mobilization and credit extension to members for both personal and corporate development (Onduko, 2013). Cooperative societies take deposits and provide loans based on savings in the Back Office Service Activity (BOSA) or salary availability in the Front Office Service Activities (FOSA). Cooperative societies specialize in consumer savings and loans market. The major source of revenue for the cooperative society is interest paid on loans.

Today co-operatives play a fundamental part in the economic plan of the government intended at producing income generating options especially in the rural areas. Co-operatives have further been recognized as vital institutions for the mobilization of material and human resources by the Government which is very crucial for development and progress especially in rural areas where the majority of people reside, earning their livelihood mainly from agriculture. The Sacco Societies Act, 2008 was enacted by Parliament to make provision for promotion, regulation, licensing and supervision of Sacco societies. Mombasa County thrives in the co-operative movement sector activities. It has a total of 129 (Appendix 2) active Co-operative Societies, (active societies are those deemed to be carrying auditing of books) this give more reasons why it is an economic hub worth studying at this point in time.

1.2 Research Problem

Innovation relates to the organizational potential to convert new ideas into commercial value. Drucker (1998) explicitly states that innovation requires focused, hard and purposeful work that it is indeed work rather than genius. The innovation process involves both radical and incremental changes, augmented innovation yields continual small alternatives and is usually visible in organizations in the form of ongoing advances. The need of innovation in organizations is obvious and crucial for all organizations operating in a competitive and uncertain environment. To succeed and survive in the competitive environment, organizations need to be innovative by introducing regular streams of innovations so that they gain competitive advantage.

SACCOs today are under pressure from other enterprises, who offer similar or the same services or products, pressure from their consumers who demand better and extra features in the commodities they utilize, SACCOs also encounter the challenges of addressing technological obsolescence. The best way they can face the new requirements and situations is for SACCOs to continuously search for new ways of production, which can include enhancing existing products or offering new products. The financial sector in Kenya is very competitive because of the many players. Competition for consumers or customers is not only from deposit taking microfinance institutions, banks but also amongst SACCOs themselves. Long term survival therefore calls for adoption of innovative strategies that would make them achieve competitive advantage.

Past studies based on innovative strategies have been done on many Kenyan economic sectors other than SACCOs. For instance, Oyoo (2002) looked at assessment of financial

potential of savings and credit cooperative societies prior and post deregulation where he concluded that SACCOs should look beyond the internal operations and develop strategies to strengthen their economic survival in the future. Owino (2011) studied Competitive strategies embraced by savings and credit co-operatives in Mombasa County concluded that SACCOs in Mombasa County should decide on what specific competitive strategy they want. They should also look for enough funding and visionary leaders in order to attain sustainable competitive edge to deal with problems caused by external environment. A study by Karanja (2011) sought to establish whether competitive advantage can be established through innovation strategies in United Bank Of Africa Ltd. The study established that innovation strategies adopted by United Bank Of Africa, contributed to the banks survival and success in the uncertain and competitive financial environment consequently achieving competitive advantage. From the above it is evident that prior studies of similar nature have been carried out but none focused on effects of innovation strategies on competitive advantage adopted by SACCOs and specifically in Mombasa County. This study thus aims to fill the gap as well as raise interest for further studies in the sector. The study sought to answer the research questions: what are the innovation strategies adopted by SACCOs in Mombasa County for competitive advantage? What is the effect of innovation strategies on competitive advantage in SACCOs in Mombasa County?

1.3 Research Objectives

The study sought to address the following research objectives:

- i. To establish the innovation strategies adopted by SACCOs in Mombasa County for competitive advantage.
- ii. To establish the effect of innovation strategies on competitive advantage in SACCOs, in Mombasa County in Kenya

1.4 Value of the Study

The findings of this study would enable SACCOs and other financial institutions through their Chief Executive Officers and Board of Directors come up with innovative strategies that will enhance competitive advantage through use of innovative products/services, processes and markets which will make them stand out among competitors. The findings would also provide knowledge on how SACCOs can create and benefit from competitive advantage. It would also bring out the influence of organization's resources, capabilities, costs, differentiated products and services and other factors on competitive advantage. The study supports resource based view theory on how the available resources can be optimally used to generate value and distinguish an organization from rivals.

Secondly results of this study would prove invaluable to policy makers, as it will show the effects of adoption of innovation strategies on competitive edge in the SACCO sector. The SACCO regulator in Kenya (SASRA) will find the outcomes of this study very crucial, as it will help ascertain the effects of innovative strategies on achieving competition advantage in SACCOs following guidelines provided for by the government.

Lastly, the study would be reference material for succeeding researchers on other equivalent topics. It will form a foundation on which further research will be based on. This will enable researchers in linking theoretical concepts to actual practice in the field.

From the findings and recommendations of this research, the SACCOs will be able to gain a holistic approach to innovative strategic process and how the strategy can be successfully formulated and implemented in SACCOs for competitive advantage

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter consists of theoretical and empirical literatures of the research study. Theoretical literature consists of resource based view of strategy and Innovation theory. Empirical literature which sheds light on past studies from previous scholars who have undertaken their research in the related field of study. In conclusion, the chapter provides a summary of literature review and knowledge gap which forms the foundation of this study.

2.2 Theoretical foundation of the study

This section discusses relevant theories underpinning this study; Resource based view and Schumpeter theory of innovation.

2.2.1 Resource-based view of strategy

The theory stresses that organization should examine their firms to discover the fountain of competitive advantage instead of looking at external environment for it as internal resources are key to superior firm performance. The RBV of strategy contends that the ability of a firm to operate better than its competitors rely on the distinct interplay of organizational, physical and human resources over a prolonged period (Wernerfelt, 1984). Organization's that are capable of amassing resources and competencies that are unparalleled, precious, non-substitutable, and inimitable will result in the firm enduring over long periods of time and the firms will achieve above-standard yield (Barney, 1991). If a firm adopts these measures, resources may result in competitive edge including social systems and informally uncertain resources such as a good reputation, corporate tradition

or lengthy associations with stakeholders (Ayuso et al 2011). According to Mahoney and Pandian (1992) RBV of an organization explains its potential to achieve competitive advantage when capital is properly administered such that their result cannot be emulated by the firms' rivals which in the long run creates a competitive barrier.

Oliver (1997) asserts that an organization's competitive edge depends on its capacity to control the established context of its resource selection. He explains that an organization's established context includes organizational philosophies, effects from the society, inter-firm and state relations that explain allowed economic behavior. Resource-based theories highlight the significance of the internal domain-enterprise-distinct know how and capabilities in creating competitive edge (Rindova and Fombrun, 1999). Organizations equipped with resources are capable of producing more economically and/or better satisfy consumer desires. A resource is an asset which could be explained as a supremacy or shortcomings of a given organization. Officially an organization's resources are explained as those physical and abstract assets that are attached semi permanently to the firm (Caves, 1980). Resources include in-house mastery of technology, brand titles, trade contacts, hiring of competent personnel, equipment, finances and efficient methods all which can produce advantage

2.2.2 Schumpeter Theory of Innovation

Schumpeter (1934) explains progress as the activity of structural modifications, usually driven by innovation which he distributed into five types :Application of current production or selling methods (not yet found in the field); Launch of a new commodity or adding features to already known products; Introducing current market (the market for

which was not yet represented in the industry); Securing of up to date sources of supply of raw or partly-complete; Modern industry composition such as the creation or destruction of a dominance position.

Any organization that seeks profits ought to innovate. Innovation is an important driver of economic dynamics, it is the “action of industrial alteration that incessantly demolish the outdated systems, continuously creating current one, it also transforms the economic system from inside”. (Schumpeter, 1912). According to Schumpeter (1934) innovation process is divided into four dimensions: innovation, invention, imitation and diffusion. In Schumpeter’s theory, activity and possibility of the trader, drawing upon the findings of investors and originators, generate absolutely recent possibilities for development, employment and investment. The invention phase has reduced significance, while imitation and diffusion activity have a great effect on the state of an economy.

In conclusion entrepreneurs who are very innovative create new opportunities for new profits. The innovation becomes a new product in the market which competitors/followers imitate due to the super normal profits enjoyed by the originator of the idea. The theory has attempted to distinguish between traders whose revolution create a profitable environment for modern ventures and the entrepreneurs who generate loans to finance the establishment of new undertaking (Schumpeter, 1939).

2.3 Innovation strategies

The theories covered in this area are product, process and marketing innovation.

2.3.1 Product innovation

Product innovation is the generation of current product/s from modern materials or alteration of existing commodities to meet consumers changing needs, it can also be improvement of the existing versions of products (Gopalakrishnan and Damanpour, 1997). Product innovation also talks of the introduction of new services or products in order to satisfy current markets or consumers, create new markets or customers (Wang and Ahmed, 2004). Product revolution provides a diversity of choice for products (Craig and Hart, 1992). Product alteration is one of the fundamental origins of competitive edge of a firm (Camison and Lopez, 2010). Innovation enhances quality which is instrumental to organization's accomplishment and eventually leads to an organization attaining competitive advantage (Garvin, 1987). Hult et.al. (2004), stated that product innovation provides protection to a firm from industry competitors and threats. Meyer (1996) categorized product evolution into central and incidental innovations. Central innovations are concerned with alteration of current markets instances where there is a prominent degree of technical creativity which is in line with change in customer actions. Incidental innovations are company or trade focused and they generally include improvements to the existing market. Product alterations can make use of technology or advanced knowledge, or a combinations of both existing proficiencies and technologies. Product includes both services and goods. Product revolution is a challenging process propelled by changing customer needs, progressing technologies, increasing global competition and shortening product life cycles.

2.3.2 Process innovation

Process innovation involves improving and reengineering the interior operations of trade processes (Cumming, 1998). It incorporates numerous aspects of an organization's undertakings, which may include Research and development, technical design, manufacturing, commercial management activities (Freeman, 1982). According to Oke et al. (2007), process alteration is concerned with the generation or advancement in craftsmanship and development in systems or processes. For example, innovation in skill, technology, system, craftsmanship and procedures used in the process of converting input into output (Zhuang et al.1999). Process innovation is also defined as the application of a refined or updated delivery or production methods. This includes notable alterations in equipment, techniques and/or operating system. According to Cumming (1998), process innovation is not simple, but its motive is agreed upon. A methodical supplier who constantly works on efficiency can expect, in the long run, to invent products that offer similar performance or even superior performance at a lower cost. Process innovation is critical in the support as well as the core parts of any product offer.

2.3.3 Marketing innovation

Marketing innovation- This is the application of up to date marketing methods including notable changes in product placement, product design, pricing, product promotion and packaging (OECD, 2005). According to Johne (1999), market innovation covers market selection and market mix so as to meet consumer's preference. Continuous market revolution ought to be undertaken by organizations because modern marketing equipment, especially the Internet, make it viable for a firm's competitors reach potential consumers across quickly. Marketing innovations also target at opening new markets,

addressing customer needs better, or positioning an organization's goods in the market with the intention of growing a firm's sales. Market innovation is concerned with improving how the chosen markets are best served and the mix of target markets. The purpose of marketing innovation is to recognize current or better prospective markets; and modern or better ways to serve focus markets. Market segmentation involves dividing prospective market into smaller feasible niches, which is very important if its objective is to improve the profitability of a firm.

2.4 Competitive advantage through innovation strategies

Innovation and competitive advantage are linked by multidimensional and complex connections. Desire for innovation and technological leadership are important components for competitive advantage (Miller, 1989). The less inimitable a strategy is the more long lasting the competitive advantage (Porter, 1985). If Innovation creates favorable synergy for the organization it provides a desirable level of competitive advantage. Pricing, Product form and distribution function acts as possible paths for competitive advantage especially for innovative organizations. If a firm attains success in its innovative strategies this may allow the firm to widen its market attraction by launching unique features and cost savings. Effective adaptability requires knowing when change is appropriate and when it is not appropriate. The link between competitive advantage and innovation is based on management facilitating and maintaining sufficient innovation activity to build an organization that is ready and decision-makers comprehend the needs of customer so as to be able to make relevant decisions.

2.5 Empirical Literature on Innovative Strategies and Competitive Advantage

A study by Nur, Topsakal and Dogan (2014) sought to establish the extent of strategic innovation and to disclose the barriers to strategic innovation actions in hotels working in Antalya province they established that hotels mainly innovate to upgrade and improve service quality to hotel visitors. They also found that the greatest barrier to innovation is cost of the innovation undertakings. A study by Urbancová (2013) sought to investigate whether competitive advantage can be achieved through innovation and knowledge among organizations in the Czech Republic. The study established that organizations discovered the importance of supporting an innovative tradition and that knowledge is meaningful in the innovation process as it constitutes not only input but also output of the change process.

A study by Fathali (2016) sought to assess the impact competitive strategies have on corporate revolutions in the automobile business of Iran. The research took place in two major automobile manufacturers in Iran. The outcomes revealed that competitive strategies had an affirmative impact on corporate innovation. With powerful statistical importance, three competitive strategies; cost focus, cost leadership and differentiation give a justification for differences in corporate innovation features including innovation in process, product, and administrative. Another study by Commer (2013) investigated the effects of innovation type's and that included marketing, product, process and organizational innovation on different aspects of firm performance in Pakistani manufacturing companies. The results revealed the favorable results of innovation types on organization performance of the firms studied.

Oyoo (2002) looked at assessment of financial potential of savings and credit cooperative societies prior and post deregulation where he concluded that SACCO's should look beyond the internal operations and develop strategies to strengthen their economic survival in the future. Owino (2011) studied Competitive strategies embraced by savings and credit co-operatives in Mombasa County concluded that SACCO's in Mombasa County should decide on what specific competitive strategy they want. They should also look for enough funding and visionary leaders in order to attain sustainable competitive edge to deal with problems caused by external environment. A study by Karanja (2011) sought to establish whether competitive advantage can be established through innovation strategies in United Bank Of Africa Ltd. The study established that innovation strategies adopted by United Bank Of Africa, contributed to the banks survival and success in the uncertain and competitive financial environment consequently achieving competitive advantage.

2.6 Summary of Literature and Knowledge gap

The above literature review reveals that innovation strategies and competitive advantage are inter-related and since organizations operate in a dynamic environment need for technological edge and organizational innovation are key elements of competitive advantage for many organizations (Miller, 1989) states that most organizations' face competitive difficulties due to unpredictability and quick rate of technology modification hence they need key managers' support. Mckeown and Max (2008) contends that innovation breeds innovation. Losers and winners are made by actions that organizations take as reaction to innovation's competitive influence. The various studies identified on competitive advantage and innovations have focused on the specific innovation strategies

used to attain the competitive advantage but have not addressed the effect of innovation strategies on competitive advantage. It is therefore necessary to undertake an empirical study in SACCO's to establish the effect of innovative strategies on competitive advantage.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter consist of the research design, the population of study, the data analysis techniques and the data collection instruments that were utilized to examine the data collected and achieve the objectives stated in chapter one of this research project.

3.2 Research Design

The study employed descriptive cross-sectional census survey. Research design according to Mugenda and Mugenda (2003) is the procedure of gathering data so as to answer uncertainty about the state of the subject matter in the study. Cooper and Schindler (2003) argue that descriptive study aims at delivering the ‘what’ of a phenomenon. Thus, this study collected information of what happens on the ground as concerns the innovative strategies used by SACCOs in Mombasa County. Hence, this design described the effect of innovative strategies in SACCOs and identified how it enhances competitive advantage.

3.3 Population of the Study

The study population were all the active SACCO’s operating in Mombasa County. There were 129 registered active SACCO’s operating in Mombasa County according to District County Commissioner Mombasa office as at July 2016. The target population was therefore all the 129 SACCO’s operating in Mombasa County by the end of July 2016. Census Survey was used as the population was big and it was best for accurate and reliable findings. From the target population, every unit was considered and the respective data of their characteristics compiled.

3.4 Operationalization of the variables

The independent variable competitive advantage was measured by innovation strategies employed in the SACCOs. The dependent variable innovation strategies was measured using product, process and marketing innovation

Table 3.1 Operationalization of the study variables

Variables	Sub-variable	Indicants
Effects of innovation strategies on Competitive Advantage	Product Innovation	-Increased sales and profits -Improved Quality hence superior products -Consumer loyalty
	Process Innovation	-Reduced production costs -Increased investment return and production efficiency -Better services as process delays will be eliminated and process turn-around will be fast
	Marketing Innovation	-Market leadership -Growth in terms of customers -Adequate segmentation and gaining from market niche through proper positioning

3.5 Data Collection

The study utilized primary data gathered using self-administered questionnaire that was either delivered or emailed to allow adequate time to the respondents to read through the questionnaire and answer them appropriately. The questionnaires had a set of pre-

formulated questions arranged in a pre-determined sequence in a semi-structured form, targeting the corporate department staff in the SACCO or its equivalent in each of the SACCOs. The questionnaire was pre-tested on one of the respondents to determine its reliability for the intended purpose.

3.6 Data Analysis

The data obtained was examined using quantitative data analysis methods such as frequencies, percentages, charts and cross tabulation where appropriate. Responses to open-ended questions were coded and grouped according to the trends manifested which was taken to be a representation of that SACCO. The entire review was used to study the effect of innovative strategies on competitive advantage. The results were used to compare with the facts identified in the reviewed literature. After respondents return the questionnaire they were checked for consistency, completeness and accuracy prior to consideration for analysis.

Study objective was further analyzed using regression analysis models. The analysis endeavored to establish the effect of innovation strategies on competitive advantage. In this research innovation strategies was the dependent variable while competitive advantage was the independent or predictor variables.

The regression model that was adopted for this purpose was;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where;

Y is Competitive advantage

β_0 is the intercept point of the regression line and the Y axis (Y intercept)

β_1 , β_2 and β_3 are coefficients of the predictor variable and

X1 is product innovation

X2 is process innovation

X3 is marketing innovation

ϵ is the error term that captures factors not explained in the model

In the above model, the correlation coefficient (R) was used to check on the significance and inclination of the relationship. The overall significance of the model and individual variable significance was tested using the p-value. An independent variable is said to be linearly related with the dependent variable if its P –value is <0.05 (5% significant level). The coefficient of determination (which represent the percentage variation in the dependent variable being explained by the changes in the independent variables) shows to what extent the model can explain the variation in the dependable variable.

The entire analysis was used to study the effect that innovation strategies have on the competitive advantage. This was also used to supplement and compare with the facts identified in the reviewed literature.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter displays results of analysis of data collected during the study survey. Raw data from the questionnaires was analyzed and results interpreted. It demonstrates the empirical findings and outcomes of the application of factors using procedures alluded in chapter three of the methodology. Details of response level, sample characteristics, display of data analysis, explanation and discussion of findings. Data analysis was in line with set objective where patterns were analyzed, explained and results drawn on them. Various tests were used to test the relationship between variables, level of significance and random distribution of data. A total of 103 completed and usable questionnaires were obtained from the respondent SACCOs under survey. This represent 79.8% response rate as 26 questionnaires were never returned representing 22.2% non-response. This section of the study provides analysis of data where descriptive statistics was conducted and the results of the study were presented in form of tables.

4.2 Demographic Details

This represents the quantifiable characteristics of the population and here we inquired about the name which was optional, openness of the bond, how long the SACCO has been in operation, respondent's highest level of education and duration of service

4.2.1 Bond of the SACCO

The openness of the bond provides the SACCO with a wide market and this is one of the innovation strategies under observation

Table 4.1 Bond of the SACCO

Openness of Bond	Frequency	Percent %	Cumulative Percent
Yes	70	68	68
No	33	32	100
Total	103	100	

Source: Research Data

From the responses received, 70 of the respondents agreed that the bond of their SACCOs is open for other members, this represents 68%. 33 of the respondents representing 32% said that there bond is not open for other members of the public.

4.2.2 Number of Years the Firm has been in Existence

The competitiveness and innovation potential of a firm is partially a function of how long the firm has been in operation.

Table 4.2 Years in operation

Years	Frequency	Percent %	Cumulative Percent
Less than 5 Years	2	1.9	1.9
6 to 10 Years	8	7.8	9.7
11-15 Years	54	52.4	62.1
More than 15 Years	39	37.9	100
Total	103	100	

Source: Research Data

As can be observed in Table 4.2, the majority (52.4%) of the SACCOs surveyed have been in operation for 11-15 years while 37.9% have been in operation for more than 15 years. A few of the surveyed SACCOs 9.7% have been in operation for less than 10 years. These results indicate that the surveyed SACCOs had experienced many changes in the industry including innovation thus relevant for the study.

4.2.3 Highest Level of Education completed

The study sought to find out the highest level of education attained by the respondents. From Table 4.3 it was found out that 64.4% of the respondents had a minimum of diploma education. This reveals that the population under evaluation was highly educated to give pertinent and informed facts. However, according to this particular study the age and individual factors do not have a high degree of influence in the organizational context of innovation adoption.

Table 4.3 Years in operation

Education Level	Frequency	Percentage%	Cumulative Percent
O Level/Form Four	6	5.8	5.8
Certificate	11	10.7	16.5
A Level or Equivalent	20	19.4	35.9
HND/Diploma	26	25.2	61.1
Degree	36	35.0	96.1
Postgraduate	4	3.9	100
Total	103	100	

Source: Research Data

4.2.4 Length of service

The length of service of the respondents was important as it meant the respondents had enough experience and could give relevant information. The findings as shown in Table 4.4 show that 83.5% of the respondents had worked for more than 5 years by the time of the study. This is an indication that they had enough know-how and hence be trusted as a reliable source to give information.

Table 4.4 Length of service

Length of Service	Frequency	Percentage%	Cumulative Percent
Below 5 years	17	16.5	16.5
5-10 years	21	20.4	36.9
11-16 years	54	52.4	89.3
Above 16 years	11	10.7	100
Total	103	100	

Source: Research Data

4.2.5 Employees Involved in Innovation Activities

The study attempted to find out the employees involved in innovation activities in the SACCOs

4.5 Employees Involved in Innovation Activities

Employees Involved in Innovation	Frequency	Percent %	Cumulative Frequency
Top Managers	28	27.2	27.2
CEO	39	37.9	65.1
All Employees	25	24.3	89.4
Development Partners	11	10.6	100
Total	103	100%	

Source: Research Data

Table 4.5 indicates that, for the majority of SACCOs surveyed (65.1%) all senior managers that is top managers and CEO are involved in innovation activities. This fact lends credence to the validity of our survey data, given that the majority of survey respondents were managers.

4.3 Innovation Strategies among the SACCOs in Mombasa County, Kenya.

Innovation is a process where ideas are transformed into outputs which increase customer value and is aimed at developing competitive advantage of a firm. Firms are engaging themselves in various innovative activities ranging from organizational processes, marketing and product. This leads to product improvement, new methods of production and changes in work management systems. This section covers findings from the questions posed to the respondents to determine the innovation activities among the SACCOs in Mombasa County, Kenya.

4.3.1 Product Innovations

The study sought to find out the product innovation strategies adopted by the SACCOs

Table 4.6 Product Innovations

Product Innovations adopted	Mean	Std Deviation
Developing new products totally different from the existing ones	4	0.921
Improving the current products to enhance customer satisfaction	4.3	0.6728
Focusing on a particular niche by introducing products relevant	3.9	0.9632
Overall cost leadership (offering low prices for your products than competitors)	3.1	1.0453

Source: Research Data

The responses in this section ranged from 1 to 5, with 4 being selected the most regularly. Of particular interest in the response “improving the current products to enhance customer satisfaction” which had the highest average out of any response in this category.

This means that SACCOs believe that quality is one of the most important considerations in terms of boosting competitiveness vis-à-vis other companies in the same industry. This response scored higher than any other response in the other innovation categories, which leads me to believe that product improvement is the most important component for product differentiation and competitiveness for SACCOs.

4.3.2 Process Innovation

The study sought to find out the process innovation strategies adopted by the SACCOs

Table 4.7 Process Innovations

Process Innovations	Mean	Std. Deviation
Determining and eliminating activities that where not adding value in the processes of the SACCO	4.05	0.9515
Increasing process delivery speed	4.1	0.84440
Staff being taken for training as they are the implementers of innovation	3.9	0.9364
Purchase of new software to balance service delivery	3.7	0.7632

Source: Research Data

Responses to process innovation questions again ranged from 2 to 5, with the average answer being a 4. There was no notable difference between any of the answers to process innovation questions. That being said, the response increasing process delivery in the SACCO had a higher average than the rest of the responses, which demonstrates the importance of streamlining processes for the SACCO activities. That is, there appears to be a greater opportunity to eliminate processes that don't add value to business.

4.3.3 Marketing Innovation

The study attempted to find out the marketing innovation strategies adopted by the SACCOs

Table 4.8 Marketing Innovations

Marketing Innovations	Mean	Std Deviation
Renewing promotion techniques adopted by SACCOs for the advertisement of the existing and/or current products.	4.4	.9534
Overhaul pricing techniques methods for the current new products.	4.0	.9995
Opening new branches to accommodate new customers	3.3	1.0867

Source: Research Data

Every response to the survey questions related to marketing innovations ranged from 2 to 5, with 1 never being selected. This shows that every firm believes marketing plays a large role in its competitive success. Respondents appear to gravitate towards selecting 4, or “a large extent”, as their response to marketing innovations questions.

4.4 The Relationship of Innovation in Building Competitive Advantage in SACCOs in Mombasa County, Kenya.

Innovation is aimed at developing competitive advantage, profitability and organizational performance of a firm. Firms which engage in innovation activities are likely to enhance superior competitive advantage and gain greater organizational sustainability in dynamic environments. Prior to regression analysis, survey questions were broken down into three: questions related to product innovations; question related to process innovations; and questions related to marketing innovations. Firstly, questionnaires were analyzed using descriptive statistics which helped to analyze trends in data (Kothari, 2012). Data was

then subjected to inferential statistics to establish relationships between variables. Hypothesis was tested using the multiple regression model so as to link the connection between innovation and competitive advantage. The quantitative findings of the research have been presented under regression analysis. The hypothesis was tested using the F-test. The hypothesis was tested at 95% confidence level ($\alpha = 0.05$).

In order to perform multiple linear regressions, an index was created for each of the above categories representing the average across each category. The descriptive statistics for each of these new indices can be seen blow.

Table 4.9 Descriptive Statistics for Innovation Mean

	N	Minimum	Maximu m	Mean Index	Std. Dev
Mean Product	103	2	4	4.0445	.44043
Mean Process	103	2	5	4.1225	.75356
Mean Marketing	103	2	5	4.0147	.72807
Valid N (list wise)	103	3			

Source: Research Data

The descriptive statistics for these indices do not tell us much, except that it appears there is wider variation in survey response for mean product and mean process and mean marketing.

A linear regression analysis was then performed with the following specifications:

$$\text{Percent turnover (competitive advantage)} = \alpha + \beta(\text{mean product}) + \beta(\text{mean process}) + \beta(\text{mean marketing})$$

Table 4.10 ANOVA for Innovation Strategies

Indicator		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	9.366	1	9.366	33.668	.000
	Residual	31.437	101	.278		
	Total	40.803	102			

Source: Research Data

From Table 4.10 of ANOVA (Analysis of Variance), An F statistic of 33.668 indicated that the overall model was significant as it was larger than the critical F value of 3.94 with (1, 102) degrees of freedom at the P=0.05 level of significance. The findings imply that innovation strategies is statistically significant in explaining competitive advantage in SACCOs in Mombasa County, Kenya.

This model suggests the following relationship: the percentage turnover accounted for by innovation by SACCOs in Mombasa County is described by three main factors: product, process and marketing innovation. These factors have been operationalized through survey questions which asked SACCOS about the relative amount of money and effort invested into these activities. The dependent variable competitive advantage, is best operationalized by the percentage turnover accounted for by innovation, which is why it is the dependent variable in the following analysis. The hypothesis of the study was that turnover accounted for by innovation produces competitive advantage, and therefore we should be interested in learning the components that make over innovation turnover. In order to transform the dependent variable, percent turnover, from a categorical variable into a numerical variable, the averages of each range were taken. The output of the regression analysis is as follows:

Table 4.11 Model Summary for Linear Regressions

Model	R	R Square	Adjusted R Square	Std. Error Of the Estimate
1	.536 ^a	.287	.189	15.863

Source: Research Data

a. Predictors (Constant), mean product, mean process, mean marketing,

The R-square value can be interpreted to mean that 28.7% of the variability in overall innovation and competitiveness can be explained by the relationship between percentage turnover and mean product, mean process, and mean marketing. Overall, this means that our variables do not explain very much of the variability in innovation, given that 72% of the variability is unaccounted for. The Adjusted R² was 0.189 which did not change the results substantially as it reduced the explanatory behavior of the predictor to 28.7%. However, further analysis will show which variable is statistically significant with respect to the independent variable.

Table 4.12 Coefficients for Linear Regressions

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.928	27.659		-.034	.973
Mean product	15.762	7.432	.394	2.121	.043
Mean process	3.218	4.327	.138	.744	.463
Mean marketing	-13.539	4.788	-.601	-3.036	.005

Source: Research Data

Dependent Variable: percent turnover

The regression equation can be modeled as;

$$\text{Percent turnover} = -0.928 + 15.762(\text{mean product}) + 3.218(\text{mean process}) - 13.539(\text{mean product})$$

Using a p value of 0.05, only two indices were statistically significant: mean product and mean marketing. These indices have been highlighted above. Neither mean process had a statistically significant effect on the percentage of turnover accounted for by innovation. Interestingly, the beta coefficient that describes the relationship between mean marketing and percent turnover suggests that there is a negative relationship. The beta coefficient of -13.539 can be interpreted to show that, for every one unit increase in the marketing index, the innovation index decreases by 13.539.

With a p-value of .043 on mean product, which is less than the significance value of .05, we also have evidence to support the conclusion that mean product has a statistically significant relationship on overall innovation outcomes. The beta coefficient of 15.762 suggests that the percentage turnover accounted for by innovation increases by 15.762 for every one point increase in the product innovation index. This is a substantial increase and it suggests that, for the SACCO industry, the most important component of overall innovation is product innovations.

4.5 Effect of Innovation Activities on Competitive Advantage in SACCOs in Mombasa County

Various factors act as motivators for an organization to implement innovation activities. These factors demand continuous innovation and help create a sense of urgency towards

the need of creating current organizational goals and ideas for meeting these goals. The next set of survey questions inquired into the factors that firms believed affected their innovation activities. The questions were broken down into the following categories: cost saving, increased growth of membership, improved quality of products, efficiency in service delivery, increased profits, customer loyalty, increased investment return on the members and market leadership. Like the earlier series of questions, the possible responses ranged from 1 to 5, (1) Strongly disagree (2) Disagree (3) Moderately Agree (4) Agree (5) Strongly Agree

Table 4.13 Effects of Innovation Activities on Competitive Advantage in SACCOs in Mombasa County

Factors	Mean	Std Dev
Cost saving in service delivery	4.4	0.773
Increased growth of membership	4.3	0.751
Increased profits	4.3	0.851
Improved quality of products	4.1	0.685
Market leadership	3.8	0.546
Efficiency in service delivery	4	0.816
Customer/Member loyalty	3.2	0.934
Increased investment return on the members	2.8	0.354

Source: Research Data

Looking at the means for each one of the categories suggests that the respondents in the SACCOs believe each factor was as a result of innovation. Cost saving in service delivery appears to play the largest role as an effect of innovation, followed by increased growth of membership and increased profits. The fact that cost saving has the strongest

relationship on innovation activities is supported by the regression analysis, where we found that product innovation had the strongest role in building competitive success. We can therefore make the assumption that product innovation is stimulated by customer demand, both of which have a powerful influence on overall innovation and competitiveness.

4.6 Discussion of Findings

Surface-level analysis of data quality confirms that the survey is a fair representation of innovation activities performed in the SACCOs in Mombasa County. The vast majority of respondents had a management position; most of the SACCOs had their bond open to other members. Descriptive statistics relating to survey question finds that most SACCOs believe investing in all aspects of innovation organization, product, process, and marketing are important.

It was found out from organization innovation that renewing the quality and production systems, processes and routines were important. These innovation activities relate more to technical innovation which is an important driver in explaining business efficiency and competitive advantage. Organizations that possess' higher ratings in terms of innovation activities subsequently tend to possess a greater competitive advantage than their counterparts. The SACCO subsector is highly competitive not just from other players within but also from other key financial players in the country. Most of the respondents believed marketing played a large role in building competitive advantage in the firm there by selecting 4 to a large extent as their response.

The study used the regression analysis to address the role of innovation in building competitive advantage in SACCOs in Mombasa County, Kenya. According to the regression analysis which analyzed the linear relationship between the percentage turnovers accounted for by innovation for each SACCO and three indices measuring product innovation, process innovation, and marketing innovation respectively. This regression analysis found that both marketing and product innovation had a statistically significant relationship on the percentage turnover accounted for by innovation.

However, the marketing index had a negative relationship ($B = -14.539$; $p < .005$), which suggests that SACCOs, on average, are hurt by over investing in marketing. It is perhaps the case that customers don't respond well to advertisements on SACCO products because they care more about product quality. Indeed, regression analysis found a statistically significant relationship between product innovations and percent turnover ($B = 15.762$; $p < .043$), confirming the hypothesis that making products cheaper and higher quality is highly important for competition. Some innovations, however, appeared to be higher priority for firms than others. For example, questions in the "product innovation" category had the highest averages, which is suggestive of the fact that product innovations are the most important in building competitive edge in the SACCO industry.

Cost savings was found to influence the SACCOs in the implementation of innovation activities. The study establishes those cost saving initiatives are of critical importance to innovation. They are the most important driver of innovation. Firms oriented towards customers are usually responsive to customer needs, measure their levels of satisfaction and improving the processes in order to satisfy customers. Customer demand enhances

product innovations which establish credibility and brand loyalty, generating learning curve through cost advantages therefore increase the costs of entry for imitators.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusions and recommendations of the study. It explains the findings of the study as well as conclusions in relation to the objective of the study. Various recommendations are also presented.

5.2 Summary of findings

The aim of the study was to establish the innovation strategies adopted by SACCOs in Mombasa County and to establish the effect on competitive advantage. Most of the SACCOs business operations were over 10 years indicating there is growth in the industry both among the small and large SACCOs. From the study majority of top managers are involved in making decisions related to innovation activities. Innovation activities mainly adopted by SACCOs were marketing and product innovation. Other innovation activity that is applied is process innovation. Regression analysis found that marketing and product innovation these were two categories of innovation that were most related to overall innovation and competitiveness as operationalized by the percentage of turnover accounted for by innovation.

Marketing, however, had a negative coefficient, which means that the more SACCOs invest in marketing campaigns, the worse their return on investment is in terms of innovation turnover. This is a surprising conclusion because we would expect an investment in marketing innovations to improve overall corporate competitiveness, but this appears not to be the case. This could be explained by the fact that, for the SACCOs,

marketing may have little effect given that most of the SACCOs have captive markets in terms of members who contribute shares and are loyal and bank with the SACCOs.

Product innovation had a large, statistically significant effect on overall innovation and competitiveness, suggesting that the most important category of innovation that the SACCOs can focus involves products. SACCOs should focus less on marketing and more on product innovations in order to improve turnover. Cost savings was found to be the main factors that influence the SACCOs in the implementation of innovation activities followed by increased growth and increased membership.

5.3 Conclusions of the study

Innovation is very critical and is aimed at developing competitive advantage, profitability and organization performance of a firm. Innovation yields an attractive source of competitive advantage if it generates a positive synergy for the organization. Innovation is relevant only if it represents additional value in the eyes of the customer or other stakeholders in the business ecosystem. The SACCOs can become and remain competitive in the global market by practicing all types of innovation as analyzed. Different companies have varying innovation activities and challenges faced by these firms seemed to be similar. In overall, innovation forms a key basis for SACCOs by protecting imitability of key competitive elements through identifying results that are difficult for other organizations to recreate.

The regression analysis revealed that only product and marketing innovations have a statistically significant effect on the percentage turnover accounted for by innovation,

Cost savings was found to influence the SACCOs in the implementation of innovation activities however SACCOs should not focus on this in the initial phases of implementing innovation strategies but should expect this to be one of the long term benefit that the innovation activities will achieve for the SACCOs which embrace the innovation strategies discussed in this study.

Marketing innovation had a negative effect on the SACCOs turnover this means that SACCOs should review the marketing innovations currently being adopted and look at other ways that they can improve this strategy so that in as much as they are adopting innovation strategies then those strategies should be beneficial to the SACCOs and not detrimental to their performance.

Product, process and marketing innovation represent a really small percentage of competitive advantage for SACCOs and hence management of SACCOs should also employ other methods to help them achieve competitive advantage which may include but not limited to having strong and visionary leaders, adhering to rules set out by legislators to avoid unnecessary fines or penalties and improved governance which acts as a big confidence booster to the membership.

5.4 Recommendations of the study

From the conclusions and findings, the study suggests that SACCOs in Mombasa should adopt innovation strategies that best suit their individual SACCOs and not just adopt strategies because their competitors have adopted certain strategies and the ultimate goal of adopting the innovation strategies should not only be attaining competitive advantage but also attaining excellence in their performance which can be measured by a high Rate

of return on Investment (ROI). Another recommendation is that innovation should involve all members of staff in the SACCOs and it should not be seen as a management function but it should be all inclusive with adequate communication to all in the organization, adequate planning should occur before innovation strategies are implemented for the benefits to be adequately achieved.

5.5 Limitation of the Study

The main limitation that the researcher experiences was that the response rate was not 100% and some of the questionnaires which were returned were not fully filled on all questions hence this affected the desired level of accuracy that the researcher anticipated.

Cost involved in the whole research project and especially at the point of data collection proved very costly as the SACCOs are widely distributed so the transport to and fro for both dropping and collecting the questionnaires were high.

The research was limited to Mombasa County hence it was not a representative of the SACCOs in Kenya.

5.6 Suggestions For further Research

The study investigated the effects of innovation strategies on competitive advantage in SACCOs in Mombasa County. The researcher recommends that a further study should be carried out which will quantify other variables related to innovation, for example, the size of each SACCO and the average levels of employee education both might have an effect on competitive advantage. In future, both of these variables should be tracked and analyzed under linear regression. Another study that the researcher recommends is a

research that will investigate challenges which SACCOs face while implementing innovation strategies identified and how this affects their performance Vis-a vis their competitors.

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APPENDIX 1: QUESTIONNAIRE

Part A: Demographic Details

1. Name of the SACCO (Optional)

2. Is the bond of the SACCO open to other members apart from the main company?

(Tick one) Yes { } No { }

3. For how long has your company been in existence?

Less than 5 Year { }

6-10 Years { }

11-15 Years { }

More than 15 Years { }

4. What is your highest level of education?

Certificate { }

Diploma { }

Degree { }

Master's Degree { }

PhD { }

5. How long have you worked in this organization?

Less than 5years { } 5-10years { }

11-16years { } More than 16years { }

6. Who is mainly involved in the innovation activities in the organization

CEO { } Top Managers { } All Employees { }

Development partners { } Others (specify)

PART B: Innovation strategies

Please indicate to what extent you agree with the statements given by circling or striking through as per the following scale:

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

	PRODUCT INNOVATIONS	1	2	3	4	5
1	Developing new products totally different from the current ones.					
2	Improving the current products to enhance customer satisfaction					
3	Focusing on a particular niche by introducing relevant products					
4	Overall cost leadership (offering low prices for your products than competitors)					

	PROCESS INNOVATIONS	1	2	3	4	5
1	Determining and eliminating activities that were not adding value in the processes of the SACCO					
2	Increasing process delivery speed					
3	Staff being taken for training as they are the implementers of innovation					
4.	Purchase of new software to balance service delivery					

	MARKETING INNOVATIONS	1	2	3	4	5
1	Renewing promotion techniques adopted by SACCOs for the promotion of the existing and/or new products.					
2	Renewing pricing techniques employed for the current products and pricing of new products.					
3	Opening new branches to accommodate new customers					

PART C: COMPETITIVE ADVANTAGES RESULTING FOR STRATEGIC INNOVATIONS

The following items are results of the innovation strategies employed by the SACCO. Please indicate the extent to which you agree/disagree with each

{Tick (√) the appropriate column} (1) Strongly disagree (2) Disagree (3) Moderately Agree (4) Agree (5) Strongly Agree

NO.	COMPETITIVE ADVANTAGE ACHIEVED	1	2	3	4	5
1.	Cost saving in service delivery					
2.	Increased growth of membership					
3.	Improved quality of products					
4.	Efficiency in service delivery					
5.	Increased profits					
6.	Customer/Member loyalty					
7.	Increased investment return on the members					
8.	Market leadership					

Thank you for your participation

**APPENDIX 2: LIST OF ACTIVE SACCOS IN MOMBASA
COUNTY-2016**

Data according to District Co-operative Office-Mombasa

1.	Aboo Sacco	2.	Abson Motors Sacco
3.	Alal Sacco	4.	Aero Marine Sacco
5.	Alico Agents Sacco	6.	Alarms Sacco
7.	A-Z Transporters Sacco	8.	Amtemo Sacco
9.	Bandari Sacco	10.	Bilal Sacco
11.	Bagging Sacco	12.	Benz Sacco
13.	Boss Freight Sacco	14.	B.O.G Sacco
15.	Brookie Sacco	16.	Brosis Sacco
17.	Buzeki Sacco	18.	Bakimatra Matatu Sacco
19.	Bidii Yangu Sacco	20.	CAM Sacco
21.	CDA Sacco	22.	Choice Sacco
23.	Cotts Sacco	24.	Chenda Sacco
25.	DL Sacco	26.	E.I.B Sacco
27.	Excellent Sacco	28.	EASCO Sacco
29.	Extraco Sacco	30.	Full Scale Sacco
31.	Gala Sacco	32.	Grains Millers Sacco
33.	Grain Bulk Sacco	34.	Gulscar Sacco
35.	GSO Sacco	36.	Hotel Sapphire Sacco
37.	Interflow Sacco	38.	Inchcape Sacco

39.	Idime Sacco	40.	Imani Sacco
41.	Ideal Ceramics Sacco	42.	Island Transporters Sacco
43.	Jitegemee Sacco	44.	JCC Sacco
45.	Jongeto Sacco	46.	Kencent Sacco
47.	Kent Sacco	48.	Karatasi Sacco
49.	Ken Kazi Sacco	50.	Kenya Projects Sacco
51.	Kivuko Sacco	52.	KASA Sacco
53.	Kisiwani Matatu Sacco	54.	Kachra Sacco
55.	Lotomo Sacco	56.	Madawa Sacco
57.	Milly Workers Sacco	58.	Mission to Seamen Sacco
59.	Miemo Sacco	60.	Monflo Sacco
61.	Mawaidha Sacco	62.	Mombasa Jua Kali Sacco
63.	Macdal Sacco	64.	Mombasa Leaders Sacco
65.	Maendeleo Mwambao Sacco	66.	Mzalendo Sacco
67.	Mwangaza Sacco	68.	Mombasa Teachers Sacco
69.	Musol Sacco	70.	Micron Sacco
71.	Mombasa Port Sacco	72.	Manufaa Sacco
73.	Maridadi Sacco	74.	Maersk Sacco
75.	Matunda Sacco	76.	MOM Sacco
77.	Mombasa Kinango Sacco	78.	Momarks Sacco
79.	Mwamba Imara Sacco	80.	Momasa Sacco
81.	Mwaka Sacco	82.	Ngea Sacco

83.	Ngomeni Sacco	84.	Oceana Sacco
85.	Ocean Freighters Sacco	86.	Ocean Palm Sacco
87.	Ocean workers Sacco	88.	Ocean Distributors Sacco
89.	PCEA Makupa Sacco	90.	Poly Sacco
91.	Precoba Sacco	92.	PIL(MSA) Sacco
93.	Pambazuko Sacco	94.	Petrol Sacco
95.	Private Health Practitioners Sacco	96.	Powermaster Sacco
97.	Retread Sacco	98.	Royal Court Hotel Sacco
99.	Rhama Sacco	100.	RVR Sacco
101.	Sisi Kwa Sisi Sacco	102.	Sentry Sacco
103.	Signon Sacco	104.	Seco Sacco
105.	Safe Freight Sacco	106.	Socks Sacco
107.	Shina Sacco	108.	T.E.I Sacco
109.	Tatizo Sacco	110.	Tatama Sacco
111.	Taifa Bahari Sacco	112.	Trace crest Sacco
113.	Uvumbuzi Sacco	114.	United Sports Club Sacco
115.	Vyas Sacco	116.	Vyakula Sacco
117.	Voda Taxis	118.	Washa Sacco
119.	Washonaji Sacco	120.	Wec Sacco
121.	Zoghori Sacco	122.	Jubilee Building
123.	Kuinuka Housing	124.	Kaathai Multipurpose
125.	Meli ya Fanaka Multipurpose	126.	Sea front Multipurpose

127.	Washauri Multipurpose	128.	Port Workers Consumer
129.	Tudor Farm Purchase		