EFFECTS OF INNOVATION STRATEGY ON FIRM PERFORMANCE IN TELECOMMUNICATIONS INDUSTRY: A CASE OF SAFARICOM KENYA LIMITED

BY
ALICE NJERI

UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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A Research Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters of Business Administration (MBA)

FALL 2017
STUDENTS DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: __________________________  Date: __________________________

Alice Njeri (ID No.641839)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________  Date: __________________________

Juliana Namada

Signed: __________________________  Date: __________________________

Dean, Chandaria School of Business
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ABSTRACT

The general objective of the study was to examine the effects of innovation strategy on firm performance in the telecommunication industry taking Safaricom (K) Limited as a case. The study was guided by three specific objectives. To determine the influence of product innovation strategy on performance in Safaricom Kenya Limited; establish the effect of process innovation strategy on performance in Safaricom Kenya Limited and determine the influence of market innovation strategy on performance in Safaricom Kenya Limited.

The research adopted a descriptive survey research design. The population for the study was customer service departments at Safaricom (K) Limited. These included the Retail, Care Centre/ Customer Operations and Consumer Business departments. The stratified random sampling procedure was used for the study and the sample size was established at 181 staff. The questionnaire was adopted as the primary tool for data collection. Descriptive analysis, correlation analysis and regression analysis were used to analyse the data. Data was presented in charts and tables and the researcher’s own interpretation.

The correlation analysis showed that there was a positive and significant correlation between product innovation strategy and performance. The multiple regression analysis confirmed an increase in product innovation led to an increase in performance and this was significant. That there was a positive association between process innovation and performance but this was not significant. Regression analysis confirmed that there was a linear relationship between process innovation and performance but this was not significant. That there was a positive and significant association between market innovation and performance and regression analysis confirmed that there was a strong and positive relationship between market innovation and performance.

The study concludes that among the innovation strategies included in the study, product innovation strategy had the most influence on performance of Safaricom (K) Limited. The concluded that process innovation had the least impact on performance of Safaricom (K) Limited. The study concluded that market innovation strategy was the second most significant innovation strategy to affect performance of Safaricom (K) Limited.
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

This paper aims to investigate the relationships between innovation and organisation performance in the telecommunication industry. The relationship between innovation and organisation performance is receiving attention in the academic world since the arguments of Schumpeter (1934) that continuous innovation activity is the main basis for long term firm success (Rosenbush et al., 2011). Scholars have argued that organisations that do not choose to innovate are placing their firm at risk (Kotler, 2000). The ability of firms to generate innovations for shortened life cycles and level of competition to generate innovations are important in allowing organisations to maintain competitive advantage and improve performance (Artz et al., 2010).

D’cruz and Rugman (1992) argue that an organisation would be more competitive if it is able to produce, design, market services and products superior to those provided by its competitors. Market needs and changes reveal why it almost unlikely to find any industrial player who decides not to innovate (Hurley & Hult, 1998). According to Kaplan and Warren (2007) organisations should not only use innovation as a luxury but is a necessity. Most studies focus on the performance and innovation association give a positive appraisal of higher innovativeness that leads to increased firm performance. Several empirical studies have been done to investigate the relationship between innovation strategy and organisation performance (Geroski et al., 1993; Roberts, 1999; Artz et al., 2010; Therrien et al., 2011; Gunday et al., 2011).

Geroski et al. (1993) found that innovations that are achieved by firms have a positive effects on their profits. The study also found that the influence of particular innovations on organisation profit was modest in size and innovative organisations in general as more profitable than non-innovative organisations. Roberts (1999) research on product innovativeness on sustainable profitability of organisations in the United States pharmaceutical industry and found that high product innovation propensity and sustained superior profitability. On a study on effect of patenting and product innovation on organisation performance, Artz et al (2010) found that product innovation had a positive and significant impact on organisation performance.
Therrien et al. (2011) conducted a study on innovation on organisation performance in service industry which indicated that in order to gain sales from innovations and organisations need to come to the market early to introduce new products with higher levels of innovation. Gunday et al. (2011) study on marketing, process, product and organisation innovations on organisation performance such as achievements in finance marketing and production by conducting an empirical study of Turkish firms in different sectors. The research found that marketing, product and organisation innovations have positive impacts on organisation performance in manufacturing sector.

Innovation refers to the transformation of creative ideas in a business. Schumpeter (1934) is credited to have coined the term innovation in the start of the 20th century and defined innovations as organisational, process and product organisation changes that do not emanate from scientific discovery but also come from a mix of already existing technologies and their application in a new way (Zizlavsky, 2011). Abdi and Ali (2013) define an innovation strategies as a means that promotes the implementation and development of new services and products.

Shqipe, Gadaf and Veland (2013), opined that there are distinctively two types of innovations; these are incremental and radical innovations. An incremental innovation is one that focuses on feature or costs improvements of already existing services, products and processes. On the other hand, radical innovation however focuses on the services, processes and product with unprecedented performance features. Innovation is advantageous for an organisation performance in several ways. Yilmaz et al. (2005) described that there are four dimensions are used to measure innovation performance in organisations. These include market performance, innovative performance, financial performance and innovative performance. Innovations have an effect on corporate performance by producing enhanced market position that shows superior performance and competitive advantage (Gunday, Ulusoy Kilic & Alpkan, 2011).

The measurement of firm performance has often been a complex one for researchers and scholars. Meeting the internal and external goals of an organisation are the outcomes for firm performance (Lin et al., 2008). Murphy et al. (1996) argues that firm performance is a multidimensional concept whose dimensions can be marketing,
departmental, finance, production or related to profit and growth (Sohn et al., 2007), it can be measured with objective or subjective indicators. According to Rosli and Sidek (2013) depending on organizational goals, different methods are adopted by different firms to measure their performance.

Organisational performance can be measured through non-financial and financial means (Bagorogoza & Waal, 2010; Bakar & Ahmad, 2010). Majority of organisation often prefer to use financial means to measure their performance. Average annual occupancy rate, net profit after tax, Return on Assets (ROA) and Return on Investment (ROI) are the mostly used means of measuring organisation performance Tavitiyaman et al. (2012). However, other used measures are of firm performance include profitability, productivity, growth, stakeholder satisfaction, market share and competitive position (Marques et al., 2005; Bagorogoza & Waal, 2010). Moreover, other researchers have proposed other indicators as such as being able to combine non-financial measurements to meet the changes of external and internal environments (Krager & Parnell, 1996).

The sector enjoys a penetration growth rate of over 50 percent which was projected to increase to 70 percent (Karanja, Muathe & Thuo, 2014). In 2012, the telecom industry in Kenya saw a huge growth which was expected to continue to 2017. The increasing fixed line sectors and mobile subscribers are expected to influence a healthy growth rate in the industry in the next coming years. The competitive environment of the telecommunications sector has seen organisation consistently experience growth in terms of asset base and customers. The rapid changes of the telecoms sector and has seen the four mobile operators which are global operators and Internet Service Providers (ISPs) such as Jamii Telkom and Wananchi.

The competition in the telecoms sector has greatly increased in data and voice service provision (Oteri, Kibet & Ndung’u, 2015). Safaricom was incorporated as a private company, with limited liability, under the Companies Act in 1997 to provide communication services. However, in 2002 following the Kenya Government’s purchase of 60 percent shares in the company it was converted into a public company with its 60 percent controlling shares held by Telkom Kenya Ltd, a state corporation. Telkom Kenya Ltd continued holding controlling shares in Safaricom, for the Kenya
Government until 2008 when in a public share offer the Government sold 25 percent of its shares to the public by which act Safaricom ceased to be a state corporation (Kasuni, 2016). Safaricom performs five core functions, namely; Voice communications (Talk-Time) services, Mobile money transfer services, M-Shwari banking, and Messaging and Mobile data services. These five services are conveyed to the customers through one network, the Safaricom Broadband. Safaricom is the leading provider of converged communications solutions in Kenya. It has the widest mobile network in the Country with a subscriber base of over 25.2 million and market share of 64.7 percent (Oteri et al., 2015).

Safaricom (K) Limited business operations have been able to maintain and keep pace with the worldwide telecoms sector by having strategic business association which often adds value to the mobile telecoms global environment assists to meeting the dynamic barriers of the global telecoms industry. This strategic collaborations with retailers in mobile sector has created a niche in the Kenyan market today. There are many reasons that are quoted explaining the growth of Safaricom Kenya Limited but one most highlighted is the commitment and motivation of key individuals, including the neutrality and determination of some key entrepreneurs responsible for initiating the innovation (Njuguna, 2012).

1.2 Statement of the Problem
The relationship between innovation and performance has been well documented in past studies in selected industries across the globe. These include the Turkish automotive industry (Atalay et al., 2013); Canadian service sector (Therrien et al., 2011) and Somalia’s telecommunication industry (Abdi & Ali, 2013). There is further evidence of studies focusing on the relationship between innovation and performance of telecoms players. In Vietnam, daisy and deqing (2014) found that innovation had a positive and significant effect on customer satisfaction and customer retention. In Nigeria, Oluseye, Ibidunni, and Adetowubo-King (2014) found that innovation strategies had a positive effect on creating new market and expanding market share of telecommunication industry companies.

Letangule and Letting (2012) conducted a study on effect of innovation strategies on performance of firms in the telecommunication sector in Kenya. The study concluded
that innovation strategies contributed to improved organisational performance among telecommunication firms. Mathenge (2013) conducted a study on the effect of innovation on competitive advantage of telecommunication companies in Kenya. The study concluded that financial innovation positively affects the competitive advantage of telecommunications companies to a great extent. The study focused on effect of innovation on competitive advantage. This study focused on firm performance and was limited to the financial innovation strategy. Njoroge et al. (2016) did a research on the influence of technology on the performance of mobile sector in Kenya which found that there is need for mobile telephony firms to invest more in new technologies to address the changes that are needed to improve performance. Onguko and Ragui (2012) research on the role of strategic positioning on products performance in the telecommunications industry in Kenya concluded Safaricom has invested heavily in innovation as compared to other companies in the same industry. Ngugi and Mutai (2014) study on determinants influencing growth of mobile telephony in Kenya in Safaricom Limited concluded that innovation positively affect the growth of mobile telephony in Kenya.

As a telecommunication industry player, Safaricom requires to maintain the competitive advantage that it has in the sector. New technologies, customer demands, emerging customer product services mean that innovation should be a strategic objective and thus this research seeks to investigate the effects of product innovation, process innovation, market innovation and organisational innovation strategies on firm performance using Safaricom (K) Limited as a case for the study.

1.3 General Objective

The general objective of the study was to examine effects of innovation strategy on firm performance in telecommunication industry.

1.4 Specific Objectives

The study was guided by the following specific objectives:

i. To determine the influence of product innovation strategy on performance in Safaricom Kenya Limited

ii. To establish the effect of process innovation strategy on performance in Safaricom Kenya Limited
iii. To determine the influence of market innovation strategy on performance in Safaricom Kenya Limited

1.5 Justification of the Study
1.5.1 Scholars and Academia
The study is significant to scholars and academia as it will contribute to the body of knowledge on innovation and firm performance which can be used for references. The study will also make contributions to the study of effect of innovations and firm performance among telecommunications sector by making suggestions for areas of further study.

1.5.2 Government
The study is significant to the government in regards to policy making and regulation of the telecommunication sector. The study examined the innovations that are pertinent in the telecommunication industry in Kenya and this will assist policy and decision making in regulation of the telecommunication sector to enhance the performance of the industry while safeguarding the consumer experiences.

1.5.3 Safaricom (K) Limited Management
The study will be significant to management of Safaricom (K) limited given its role as the implementers of strategies in the firm. The study will make recommendations for implication which can be adopted by top management in the firm to enhance performance of the Safaricom (K) Limited in regard to innovation strategies adoption.

1.6 Scope of the Study
There are several Mobile Network Operators (MNOs) in the telecommunication sector in Kenya. The study limits its interest to Safaricom Kenya limited. Previous studies have focused on employees and consumers in measuring the effects of innovation strategies on firm performance. This study limits its scope to the employees and staff of Safaricom Kenya limited. There are several definitions and types of innovation that are described in the literature. The study only used product innovation, process innovation, market innovation and organisational innovation. The study was conducted from July 2016 to March 2017.
1.7 Definition of Terms

1.7.1 Market Innovation
Market innovation is referred to encompass the mix of targeting markets and how selected markets are best served and seeks to identify and provide new and better markets and better strategies to reach target markets (Johne, 2003).

1.7.2 Process Innovation
Process innovations refer to implementation of significantly or new enhanced delivery and production method. This also includes major changes in software, equipment and techniques (Abdi & Ali, 2013).

1.7.3 Product Innovation
A product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses (Bakar & Ahmad, 2010).

1.7.4 Firm performance
Firm performance is the outcomes achieved in meeting internal and external goals of a firm (Lin et al., 2008).

1.8 Chapter Summary
This chapter presented the background of the problem, statement of the problem, general objective, specific objectives, and justification of the study, scope of the study and definition of Terms as used in the study. The next chapter of the study presents the literature review and the research gaps the study intended to fill. Chapter two presented the literature review. Chapter three of the study presented and discussed the rationale for the selected research techniques. These included the research design, target population and sample size of the study, data collection methods, data collection procedures, ethical considerations and data analysis and presentation. Chapter four of the study presented the results and findings of the study. These were presented in charts and tables and researchers own interpretation. Chapter five of the study presented the discussion of findings, conclusions of the study and recommendations for implication and for future research.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter presents the literature review of the study. The literature is presented in terms of the study variables product innovation strategy, process innovation strategy, market product innovation strategy and firm performance.

2.2 Product Innovation and Performance
Polder et al. (2010) alludes to product innovation as the introduction of new services/products or the bringing of important improvements in the prevailing services/products. In product innovation, the product should either be a significantly improved features of a product or new product, its user-friendliness, intended use, material and component. There are several dimensions of product innovation. First, in the perspective of the organisation, the product is new to the firm. Second, from customers’ perspective, a product is new to customers and third, product changes which refer to bring product variation in the existing products of the organisation (Atuahene-Gima, 1996). The product innovation is introduced to foster efficiency in the business (Polder et al. 2010). In the global competitive era of today more firms have had to develop new products for customers’ needs (Olson et al., 1995).

Zhou and Wu (2010) have stressed that innovation is very critical to enable firms to adapt to turbulent environments and achieve a sustainable competitive advantage. They further noted that whereas firms need a continuous innovation process to respond to the ever-fast changing environmental conditions, the goal of sustainability requires new ways of doing business. According to Zizlavsky (2011), innovation can be referred as process, product, and firm changes that have not originated form discoveries but arise from a combination of existing applications and technologies in modern contexts. Zemplinerova (2010) also notes that creative research and human capital are considered to be two of the most important determinants of innovation.

Kiraka (2013) opined that product innovation involves idea exploitation. Product innovation is the main sources of gaining competitive advantage for micro and small enterprises. Innovation leads to the enhancement of product quality which leads to better organisation performance and growth (Hafeez, 2013). The potential protection
for a firm is provided by product innovation from market threats and its competitors. Most organisations take up product innovation to compete with other organisations in the market or industry (Ettlie & Reza, 1992). Olson et al. (1995) argued that organisations introduce product innovation to meet their customer needs. Thus product innovation is seen as one of the key determinants that lead to the success of a firm. New product innovation and new product development is a significant strategy for enhancing the performance and market share of the business.

According to Kotelnikov (2008), product innovation is a strategy which organisations use to bring new life to the new way of addressing consumers’ problem that will benefit both the organisation and the customer. Both internal and external factors lead to the development of innovative products designed to special niches and specific needs. The internal factors can relate to monitoring and evaluation of existing products, in-house development of new products and feedbacks from consumers and employees (Sharma, 2004).

Studies have shown that product innovation is associated with financial gain (Cozza et al. 2012) and growth in revenue (De Faria & Mendonça, 2011). There are several meta-analyses that have supported the positive effect if product innovation on firm performance (Calantone et al. 2010; Bowen et al. 2010; Szymanski et al. 2007). Bayus, Erickson and Jackson (2003) showed that product innovation had significant and positive links with firm performance. Hernandez-Espallardo and Ballester (2009) also revealed a significant and positive effect of product innovation and organisational performance. Alegre, Lapiedras and Chiva (2006) indicated that the dimensions of product innovation (efficiency and efficacy) are positively and strongly associated to organisational performance.

Atalay, Anafarta and Sarvan (2013), conducted a survey of top management of 113 organisations in the turkey automotive industry which showed that product innovation has had positive and significant effect on organisation performance. Rosli and Sidek (2013) conducted a study on the impact of innovation on the performance of small and medium manufacturing enterprises in Malaysia. The study found that the dimensions of product innovation (worth and effectiveness) influence and are related to wine firms performance.
The aim of product innovation is to appeal to new customers. Organisations modify existing products or introduce new products according to the new customers (Adner & Levinthal, 2001). Due to the short life cycle of product it forces organisations to introduce innovation in the products by enhancing or introducing new products (Duranton & Puga, 2001). Harrison (2002) stressed that product innovation is important to remain competitive but is not adequate to create a differentiation in the market. In the competitive environment organisations introduce product innovation to contest in the market. Product innovation in the market faces low competition when introduced and then earns the organisations high profit (Roberts, 1999). In a comparative study on the effects of process innovation and product innovation, Wolff and Pett (2004) conducted comparative research for the effects of product and process on organisation performance and found that product changes are positively related to firm growth and profitability.

Oke, Prajogo and Jayaram (2013) conducted a study of 207 organisations in Australia and had a conclusion that product innovation and product quality performance were positively associated with firm performance. Conversely, Hall (2011) found a standard positive association between product innovation productivity and activities. Similarly, Augusto, Lisboa and Yasin (2014) used regression analysis and factor analysis techniques to provide insights into the association between firm performance and the different types of innovation and concluded that product innovation was the most important in promoting firm performance than firm wide innovation. Furthermore, Ar and Baki (2011) used structural equation modelling (SEM) with data from SMEs managers in Turkish Science and Technology Parks (STPs) and revealed that product innovation had a positive and strong relationship with firm performance.

In a study involving 284 SMEs in the food and beverage, clothing and textiles, and wood-based sub-industries, Mohamad and Sidek (2013) validated the hypothesis that product innovation influenced organisation performance in a major way by adopting a hierarchical regression analysis in the validation. Product innovation is one of the important source of competitive advantage to the organisation (Camison & Lopez, 2010). Through innovation, an organisations competitive advantage can be enhanced
through product quality which enhances organisation performance and eventually its competitiveness (Garvin, 1987; Forker et al., 1996).

Product innovation provides a potential protection to an organisation from market competitors and markets (Hult et al., 2004). Bayus et al. (2003) showed that product innovation had a significant and positive link with firm performance. In a survey of 744 Spanish firms, Espallardo and Ballester (2009) found a positive impact of product innovation on organisation performance. Similarly, Alegre et al. (2006) found that both efficiency and efficacy as product innovation dimensions are positively and strongly associated to organisation performance. The introduction of new products is categorically related to organisation performance (Varis & Littunen, 2010). In a longitudinal study of the pharmaceutical industry in the United States, Roberts (1999) found evidence to support the expected association between product innovation rates and prolonged high profitability. Arz et al. (2010) conducted a study on the effect of patents acquired and product innovations and organisation performance in different sectors of Canada and the United States were investigated and found product innovation had a significant effect on organisation performance.

According to Porter and Van der Linde (1995) emphasizes the use of raw materials which for green product innovation which results on the low costs for raw materials and thus lead organisations to establish strategies to transform waste into products that can be sold and provide additional revenues. Organisations can increase effectiveness of resources through green innovation to make up with environmental costs (Chen et al., 2006). Research conducted by Carrion-Flores and Innes (2010) with data from 127 firms among United States manufacturing sector was remarkable about the association between environmental innovation and environmental performance.

Gluch et al. (2009) conducted a study among Swedish construction firms and revealed that firms can affect their capacity to use green innovations and enhance firm performance. A study conducted by Pujari (2006) on environmental new product development projects in United States reported that eco-innovation processes had a positive effect on market performance. Similarly, Ar (2012) research found that green product innovation positively affected that organisation performance and competitive
capacity. The results demonstrated significant and strong influence of green product innovation on organisation performance.

Bowen et al. (2010) and Calantone et al. (2010) admitted that based on the foregoing arguments that there is a positive effect of product innovation on revenue growth. Moreover, as supported by earlier researches, (Ibid.) gathered that product innovation have been shown to generate exceptional profits (Artz et al., 2010). More so, when products are introduced they face little or no direct competition which in the end leads to higher product margins.

In their study, Gökkaya and Özbağ (2015) found that significant impact on organisation performance was from innovation. The organisations efforts in developing processes and products enhance the performance of the firm including quantitative and qualitative performance. The literature review revealed that there are studies which confirmed that there is a positive association between product innovation and organisation performance including market growth and share and sales ratio (Bayus, Erickson & Jacobson, 2003; Tung, 2012). Gökkaya and Özbağ (2015) argued that capability of the firm’s to introduce some new product, idea or process that stimulated market share as well as the organisation capacity to cope with competitive market conditions which led to a conclusion that an organisation performance is dependent on organisational innovativeness.

There are several studies that have been conducted in Kenya to show the relationship between product innovation and firm performance. Karanja (2014) conducted a study on innovation strategies effect on competitive advantage in United Bank of Africa. The findings suggested that there was adoption of product innovation strategies and enabled UBA to offer a differentiated products. Letangule and Letting (2012) researched on innovativeness in the telecommunication sector and found that product innovation had a positive effect on profitability.

Ngirigacha & Bwisa (2013) conducted a study on the relevance of entrepreneurial innovation on SMEs’ market competitiveness in Thika town. The findings provided evidence that there is a positive and notable relationship between product innovation and firm performance. Soi (2016) study on effect of innovation strategies on performance of organisations in the telecommunication industry in Kenya discloses
that product innovation improved performance of telecommunication businesses in Kenya.

2.3 Process Innovation and Performance
Organisations in obtaining an output they are involved in converting input such as labour and raw material (services or products). This process is defined as a connection of a set of activities tailored to convert input into output which is offered to the consumer (O’Sullivan & Dooley, 2009). Bergfors and Larsson (2009) define process innovation as a development driven by internal production objectives. Also, process innovation refers to improve the effectiveness and efficiency of the way the firm operates. Therefore, a process innovation can be seen an improvement method or newest internal process to achieve the greatest goals and performance of the firm. Process innovation can be seen as the execution of improved production or new delivery method that includes changes in equipment, techniques and software (Omachonu & Einspruch, 2010).

According to Polder et al. (2010), process innovation refers to bringing together logistically production methods and important improvements in supporting activities such as computing, accounting, purchasing and maintenance. The OECD (2005) defined process innovation as implementation of the delivery method or production that is significantly improved or is new. The new or improved method must be new to the organisation and have never been used before. The organisation can develop new processes by itself or with the assistance of another firm (Polder et al., 2010). Organisations normally adopt process innovation in order to produce innovative amendments and products in their processes for them to produce the new products (Adner & Levinthal, 2001).

According to He and Wong (2004), process innovation refers to improved or new organisations processes which are introduced via new equipment, materials or through the re-engineering of the operational processes. Process innovations target consumers within the organisation who are normally involved with new processes and usually have a second-order effect on new product performance when compared to product research and development through which the product can be created at first (Bauer & Leker, 2013). Damanpour et al. (2009) defined process innovation as the bringing of
new methods or changing the arranging processes which directs efforts, procedures or work structures in firms as well as changes in individual and group behaviour roles. Technological innovations are being introduced within services as process innovations. A study conducted among service firms portrayed that process innovations were mostly technological (He & Wong, 2004).

Process innovation in achieving economies of scale does not present any economic impact as it only brings changes to the whole operations of delivering services, producing products, distribution and manufacturing with efficiency (Collins & Smith, 2006). Process innovation measurement is done through customer satisfaction surveys focusing on such elements like after sales service, delivery time, quality and assistance given to customers (Day, 1994). Operational effectiveness and efficiency are also a result of process innovation. The outcomes of process innovation that enables organisations to launch technical innovative and enhanced products with more value and cost effective for them to meet consumer needs which are less expensive, reliable and quality products are sales growth, market ranking and image improvement (Noorani, 2014).

The product cost is often portrayed in the process innovation (Olson et al., 1995). Organisations adopt new processes to compete with other organisations and also aim to satisfy their consumers. Past case studies have shown that automation in the production strategies has increased productivity and efficiency of the firm (Ettlie & Reza, 1992). According to Sipos and Ionescu (2015) companies improve goods quality and efficiency in the organisation through process innovation. Process innovation contributes to improvements on certain aspects such as delivery strategies, technologies, equipment’s and which can also lead to a cost reduction.

The extent to which a firm decides to adopt a process innovation is influenced by the size of the firm. Specifically, process innovation investment share are significantly related to organisation size. Reichstein (2006) argues that the composition and activities of the R & D is impacted by the organisation size and in turn impacts the innovation strategies. The bigger in size the organisation, the more the incentives to invest in process innovation strategies as this has an increase in cost efficiency. Large organisations have more incentives to adopt process innovation as it increases cost
efficiency. Furthermore, large organisations possess more diversified set of capabilities and skills and have a large range of products. Hence, the introduction of process innovation reduces cost efficiency along the diverse lines of production (Fonseca, 2014).

Process innovation is the adoption of significantly improved or new delivery or production method. Process innovation is meant to decrease unit costs of delivery and production, deliver new or to produce new significantly improved product and increase quality (Gunday et al, 2011). Process innovation focusing on improving the efficiencies and effectiveness of production and also improve or change the way firm perform. Azis (2015) agreed that process innovation is a significantly improved delivery method or adoption of a new production process Thus also includes a significant change in equipment and software and techniques.

Process innovation influence a significant approach where the economic efficiency of firms that are highly technology intensive. For example, Safaricom (K) Limited is an organisation that is highly dependent on existing and emerging technologies in delivering its services. Thatcher and Oliver (2001) opined that investments that reduce the fix costs via technology contribute to higher profits which enhance the productivity of the organisation. Van Auken (2008) research among Spanish manufacturing SMEs innovation and performance indicated that process innovation is positively related to the managers’ ranking of performance.

According to Minai and Lucky (2011), process innovation embodies business process reengineering and quality function deployment. A supplier who is efficient and constantly works on the productivity gains can expect in time to develop products that give similar performance at lowered costs. The cost reduction may be passed or may not be passed to customers in lower prices. Thus, process innovation is a benefit for the supply side of main product and the support part of products. Both parts of product offer provide quality standards that can be acquired and maintained. For services, which by their nature often rely on personal interactions to achieve the results, the process innovation management is a challenging environment (Johne & Storey, 2008).
Process innovation is referred to as an execution of a notably or novel improvement on delivery and production methods such as noteworthy technique changes in software and also in equipment (Cooper, 2009). Process innovation involves several aspects of a business day to day functions such as human resource, manufacturing, commercial activities and management, technical design and commercial activities. In India, Tether (2003) conducted a study on the wine industry and revealed that process innovation was positively related to firm performance. Atandi and Bwisa (2013) study found that where technology adoption was used as a prospective for process innovation a major relationship exists between new technology and firm performance.

Habidin, Khaidir, Shazali, Ali and Jamaludin (2015) defined process innovation into three different categories. These were: service process innovation, incremental process innovation and radical process innovation. O'Sullivan and Dooley (2009) refers to the service process innovation as a method of improvement that helps firms to meet their goals. Service innovation refers to making changes to intangible products which influences to a high degree the customer demand and interaction. The incremental process innovation is referred to as the making of minor changes or improvements in firms’ elements of internal process but will have no effect to industry (Reichstein & Salter, 2006).

According to Kim et al. (2012) the radical process innovation involves levels of change whether these major improvements or new changes on the firms’ elements of internal process are related to industry. According to Pratali (2003), the incremental on process and product from technological innovation helps improve firm competenness with the main justification being to increase organisation value or productivity which is important to the manufacturing sector and that process innovation should be encouraged as a major strength for achieving competitive advantage to the firm (Oke et al., 2013).

Organisation growth is positively associated to process innovation (Massa & Testa, 2008). Varis and Littunen (2010) study among SMEs in Finland affirmed that process innovation had a direct effect on firm performance. Ar and Baki (2011) affirmed a significant and positive effect on organisations performance from process innovation. Raja and Wei (2014) revealed that process innovation has a strong linked influence on
customer results and innovation results. Process innovation was revealed to be positively related with organisation growth (Morone & Testa, 2008). Consistent with this finding was Anderson (2009) who also found a significant association between new technology and organisation performance.

In Finland, Rosli and Sidek (2013) report that SMEs agreed that organisation performance is positively associated to process innovation. This finding was affirmed by Olughor (2015) in a study that revealed that process innovation is an important feature in both market and financial performance. Talageta (2014) holds an opposing view, reporting that lack of skilled workforce, lack of finance, inadequate research and development are mostly impeding process innovation in the SME sector. In Kenya, Martin and Namusonge (2014) found that 75 percentile of businesses revealed a significant effort in making investments of modern machineries of production as a strategy of process innovation even through the findings showed that SMEs found this very difficult and expensive to cope with. The study found that 56 percent agreed that process innovation contributed to cost reduction.

In the banking sector, Karanja (2011) conducted a study on the relationship between innovation strategies and competitive advantage in the United Bank of Africa Limited in Kenya. The research revealed that UBA aimed to serve the Kenyan financial sector by market segmentation. The UBA was able to offer customized financial services to offer for the different market segments. Letangule and Letting (2012) investigated the relationship between market innovation and performance of organisations in the telecommunication sector. Their study revealed that Kenyan telecommunication firms adopted process innovation and this contributed to organisations profitability.

Augusto et al. (2014) found a significant relationship between the size of the organisation and process innovations for organisational performance. Soi (2016) research focused on the influence of innovation strategies on performance of firms in the telecoms sector in Kenya and found evidence that process innovation had a direct effect on organisation performance.
2.4 Market Innovation and Performance

According to Ul Hassan et al. (2013), market innovation is adopting a new approach of marketing which includes major changes in the product and pricing, packaging, design, placement or promotion strategy. The rationale for market innovation is to grow the sales, market share and opening up of markets. The peculiar difference of marketing innovation from other innovation strategies is that it is adopting a new marketing innovation that the organisation has never used before. Marketing innovation is seen as an attractive strategy in an environment as it focuses design and extension changes, low-risk product modification and hence provides a quick innovative solution (Naidoo, 2010).

Bloch (2007) defines marketing innovation as the process of implementing novel marketing strategies involving major changes in packaging, product design, product promotion, product placement or pricing. The OECD/Eurostat (2005), defined marketing innovation as the “implementation of a new marketing method involving significant changes in product design and/or packaging, product placement, product promoting or pricing” (p. 49). In the 2005 Oslo manual, there was an important changes to the definition of innovation. Before, technological process and product innovations were defined as the two forms of innovation considered in measuring innovation. The third edition of the Oslo manual, other two forms of innovation were included at the same level as technological innovation, that is, organisational and marketing innovation.

Market innovation involves the market mix and selection so as to meet customer’s buying preference. The consumer expectations, wants and needs change from time to time. An important part of business success is meeting the demands and the responsiveness to a dynamic market which are the changes to consumer expectations and needs (Anderson & Nelgen, 2011). Responsiveness to the changing market required calls for continual market innovation and a business reason being the high technological marketing tools such as the web make it possible for competing firms to be able to acquire prospective consumers across the globe very fast. According to Cooper (2009), market innovation plays an important role in meeting the needs of the market and responding quickly to new market opportunities.
According to Anderson (2010), the most important responsibility of marketing professionals is to have such insights on the market dynamics to changing consumer needs and expectations. Often this responsibility is observed to mean solely in identifying of likely and present future geographical market opportunities. The geography is that there is a simple approach for segmenting markets. A several range of criterion that exist for stretching from objectives criteria and segmenting based on life style interpretations of business and customer buying trends and behavior (Neely, 2002). Neely (2002) learned that there was a positive association on the increase in sales of an organisation through conducting market innovation. Similarly, Zhang & Duan (2010), revealed a strong evidence in Japan which was indicated that market innovation have positive impact on a firm growth and performance.

The market innovation process is defined as planned changes in marketing activities (OECD, 2005) to communicate and/or deliver services and products that provide value to customers (Varadarajan, 2010). Marketing innovation gratifies customer needs and develops a competitive advantage through differentiation along more or one of the following: usability, desired product design and features, price and time, size in other words is the implementation of new marketing strategies that involve significant changes in product packaging or design, product pricing or promotion, product placement (Reguia, 2014).

The product design only makes changes the appearance of the product and may not change the functionality and a feature of the product is also marketing innovation (OECD, 2005). Market innovation is not a technological innovation for firms that are operating in the telecoms sector. However, organisations use market innovation to enhance their efficiency in business operations (Polder et al., 2010). Market innovation involves firms developing new methods of marketing, developing new techniques, tools and methods for marketing which have a significant effect on firms. The examples of market innovation is changing ways for collecting consumers’ information and today organisation can use computer technology to collect consumer information.

Marketing innovation is looked upon as a powerful tool in gaining sustainable competitive advantage by combining inimitable certain marketing factors that provide
both profit and value (Ren et al., 2010). Marketing innovation stresses design changes and extensions, low-risk product modifications that provide quick innovative solutions and is therefore considered as an attractive approach for sale increase (Naidoo, 2010). Marketing innovation is a type of incremental for of innovation that focuses on improvements in product placement, product pricing or promotion, packaging and product design (Bloch, 2007; Ren et al., 2010; Naidoo, 2010).

The main objective of firms adopting innovation is the realisation of basic entrepreneurial values such as growth and revenue (De Vrande et al., 2009). In this sense, the aim of marketing innovation specifically on organisation customer value and performance has been acknowledged in the literature (Mavondo et al., 2005; Blazevic & Lievens, 2004). Naidoo (2012) researched on the influence of market innovation can help in withstanding the constraints of operating under the present economic conditions and revealed that marketing innovation helped in sustaining and developing competitive advantages.

Johne and Davies (2000) proposed that marketing innovations enhanced sales by increasing product consumption to earn more profits to organisations. (Ibid) explained that an increase in market innovation is about modern ways of serving and reading current markets which ensure that organisations to provide appropriate offers that earns greater avenues. Sandvik and Sandvik (2003) found that market innovation has a direct effect on the growth of sales of an organisation.

Varis and Littunen (2010) adopted an estimated model and confirmed a highly significant and positive association between a markets related innovations and organisational performance. De Vrande et al. (2009) study also found that marketing innovation in SMEs is essential for growth and in achieving the target revenues. This is maybe the essence of marketing innovation in that it ensures SME survival in the present dynamic environment and has then considered as a significant variable that has a strong influence sustained competitive advantage.

According to Johne (1999), market innovation in meeting a consumers buying preference involves the market selection and establishing a market mix. A continued market innovation has to be done to an organisation for the novel and modern marketing tools through the internet and make it possible for other competitive firms
to reach their potential consumers across the world in a fast speed. Rodriguez-Cano et al. (2004) affirmed that market innovation has a significant role to fulfil market needs and respond to market opportunities. In this view, market innovation needs to be aimed at meeting consumers’ satisfaction and demand (Appiah-Adu & Satyendra, 1998).

Sandvik and Sandvik (2003) revealed that market innovation has a direct impact on increasing the sales of an organisation. Johne and Davies (2000), conquer that market innovation can enhance sales growth by an increase in product demands which leads to additional profit to innovative organisations. In the same vein, Otero-Neira et al. (2009) study findings indicated a positive influence of market innovation on business performance. This was supported by Varis and Littunen (2010) results which affirmed a direct relationship between market-related innovation and organisation performance.

In Turkey, Atalay et al. (2013) conducted a study in the automotive supplier industry involving 113 organisations and did not find any relationship of a positive and significant association between firm performance and market innovation. In Nigeria, Olughor (2015) revealed that market innovation had a significant and positive effect on organisation performance. Raja and Wei’s (2014) study found that marketing innovation had a stronger influence on organisations society results and consumer results as marketing innovations can assist organisations to create a better image for its potential and current customers and assists in improving the firm overall image in the society.

Researchers (Soltani, Azadi, Hosseini, Witlox, & Passel, 2015) agreed that marketing innovation is crucial for small organisations to transform their services and products to profits. The choice to participate in marketing innovation relies on the activities of an organisation and distinctions between the service and manufacturing sectors are significant (Medrano & Olarte-Pascual, 2016). Organisations in the service sector are more prone to engaging in the innovative areas of price promotion and placement than manufacturing firms. In their research, Rosli and Sidek (2013) found that market innovation did not contribute much to the change in organisation performance.
Epetimehin (2016) views marketing innovation as involving delivering insurance, creating new services and promoting those services and delivering them to consumers in the right place and time since speed and time are crucial. (Ibid.) study on marketing innovation and competitive advantage in the insurance sector found a statistical association between achieving competitive advantage and creativity and market innovation.

In Kenya, Karanja (2011) conducted a study on the relationship between innovation strategies and competitive advantage in the United Bank of Africa Limited in Kenya. The research revealed that UBA aimed to serve the Kenyan financial sector by market segmentation. The UBA was able to offer customized financial services to offer for the different market segments. In a study among commercial banks, Simiyu (2013) found that commercial banks adopted market innovation strategies which included creating and nurturing strong bands, creating value by pricing, customer retention and satisfaction, aggressive anti-competitors marketing efforts and environmental response and analysis to changes.

In their study, Letangule and Letting (2012) investigated the relationship between market innovation and performance of organisations in the telecommunication sector. Their study revealed that Kenyan telecommunication firms adopted environmental analysis and response to change and adopted aggressive anti-competitors marketing campaigns. Mugo (2015) conducted a study on performance and innovation among firms in the wine industry and revealed that product innovation enabled firms to provide a wide array of products that met the satisfaction quality using channels that shorten the duration of getting a service or product, market survey and adoption of product development that is incentive, radical and offer greater rewards.

In Tanzania, Sengo and Kilango (2015) investigated the relationship between marketing innovation and improving customer satisfaction at Vodacom. The study revealed that marketing innovation was adopted by telecommunication organisations to improve business performance and achieve competitive advantage. In Kenya, Soi (2016) studies the effect of innovation strategies on performance of organisations in telecommunications sector and found that market innovations had a strong positive association with firm performance.
2.5 Chapter Summary

This chapter presented the literature review section of the research. The section was presented in tandem with the study research objectives. The literature was presented by first providing definitions of product innovation, process innovation strategies and market innovation strategies and followed by citations of past studies showing the effect of each innovation strategy and firm performance. The next chapter of the study presents research methodology of the research.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives the rationale for selecting the research methods and discusses how these are implemented to achieve the study objectives. These research methods are the research design, population and sampling design, data collection methods, research procedures and data analysis methods.

3.2 Research Design

A research design is a conceptual structure within which a study is conducted (Mbizi et al., 2013). Research design is a masterplan or blueprint through which research a study is to be conducted. The research used a descriptive survey research design as it sought to present current information about innovation strategies and their effect on firm performance. The advantage of using the descriptive research survey design for this study was the researcher intends to collect data from a selected population and the data collected will be used to measure the relationships between the independent and dependent variables.

3.3 Population and Sampling Design

3.3.1 Population

A population refers to a selection of things, services, events and set of people that are selected for a study (Kombo & Tromp, 2006). The population for the study is customer service departments at Safaricom (K) Limited. These include the Retail, Care Centre/ Customer Operations and Consumer Business departments. These departments were selected for the research due to their involvement and engagement with customers. The target population for the study is therefore 2,970 staff of Safaricom (K) Limited.

3.3.2 Sampling Design and Sample Size

3.3.2.1 Sampling Frame

According to Cooper and Schindler (2006) a sampling frame is a list of all population units from which the sample of a study is drawn. The sampling frame for the study was customer departments of Safaricom (K) Limited Shops in Nairobi County as shown in Table 3.1.
Table 3.1: Sampling Frame of the Study.

<table>
<thead>
<tr>
<th>Customer Service Departments</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>323</td>
<td>475</td>
<td>798</td>
</tr>
<tr>
<td>Care Centre/ customer operations</td>
<td>540</td>
<td>835</td>
<td>1,375</td>
</tr>
<tr>
<td>Consumer Business</td>
<td>243</td>
<td>554</td>
<td>797</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,106</strong></td>
<td><strong>1,864</strong></td>
<td><strong>2,970</strong></td>
</tr>
</tbody>
</table>

*Source: Safaricom (K) Limited (2016)*

3.3.2.2 Sampling Technique.

Tailor (2005) defined sampling techniques as methods adopted by researcher to select their sample from a population. The stratified sampling process works when the population is divided into subgroups that each belongs to a specific strata from which a sample is selected (Teddlie & Yu, 2007). The study adopted the stratified random sampling procedure. The target population of the study was divided into employee departments. The customer service departments include Retail, Care Centre/ Customer Operations and Consumer Business of Safaricom (K) Limited.

3.3.2.3 Sample Size.

A sample size refers to the selection of a portion of the selected target population to be included in a study (Singh & Masuku, 2014). In order to determine the sample size for the study, the researcher adopted Yamane (1967) sample size determination formula. The established sample size for our study is 352 staff.

\[ n = \frac{N}{1 + N(e^2)} \]

Where;

- \( n \) = sample size,
- \( N \) = study population,
- \( e \) = tolerance at the preferred level of confidence, take \( \alpha = 0.05 \) at 95 percent confidence level.

\[ n = \frac{2,970}{1 + 2,970 (0.05)^2} \]

\[ = \frac{2,970}{8.425} \]

\[ = 352 \]
3.4 Data Collection Methods.
Data collection is the process of gathering information from a selected population for a subject or phenomenon under study (Greene, 2006). The researcher adopted the questionnaire as the tool for data collection. A questionnaire that has high reliability will receive the same answers over and over again by other studies (Bryman & Bell, 2011; Saunders et al., 2007). The questionnaires are suitable for they can easily and suitably administered with a sample. The cost effectiveness of questionnaires, their less time consuming nature in comparison with interviews make them appropriate for the study.

The researcher used a structured questionnaire which will have items represented five categories: demographic information of respondents, product innovation strategy (10 items), process innovation strategy (10 items), market innovation strategy (10 items) and firm performance (6 items). The respondents were asked to indicate their degree of how firm performance is influenced by each of independent variables on five point Likert scale. The researcher used past studies (Gunday et al., 2011; Soi, 2016) innovation type strategies measurement scales. These indicators were measured by 5 point Likert scale ranging from 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

The measurement of firm performance has often been a complex one for researchers and scholars. Meeting the internal and external goals of an organisation are the outcomes for firm performance (Lin et al., 2008). Murphy et al. (1996) argues that firm performance is a multidimensional concept whose dimensions can be marketing, departmental, finance, production or related to profit and growth (Sohn et al., 2007), it can be measured with objective or subjective indicators. In this study, the subjective measures of performance were preferred. Venkatraman’s (1989) subjective measures of firm performance were adopted for this study.

3.5 Research Procedures
Research procedures are the steps and processes that a researcher undertakes in the course of a study to gain knowledge (Kumar, 2005). The questionnaire was pilot tested before the actual data collection to ensure the validity and reliability. The concept of validity means the meaningfulness and accuracy of an instrument which
rely on study results while reliability is the extent to which an instrument can produce the same results or information after several trials.

Mugenda and Mugenda (2003) assert that reliability is done using Cronbach’s Alpha Model on Statistical Package for Social Sciences (SPSS). The questionnaire was pilot tested among 10 percent (35 staff) of the sample size and Cronbach Alpha was used to measure the reliability of the instrument. Validity of the research instrument was done using guidance and assistance from the university supervisor. The researcher attached an introduction letter to the respondent with the questionnaire detailing the purpose of the study, duration of the filling the questionnaire, a guarantee of the anonymity and confidential nature of the data provided as it was only accessible to the researcher.

The questionnaire was personally and also electronically administered to the respondents. The researcher approached selected staff in the organisation to fill the questionnaire. This approach was favoured as the researcher has the opportunity to motivate the respondents to fill the questionnaire and also answer any query that the respondents may have. Electronic administration of the instrument was used to reach employees who may not be available physically and those in customer care centres. The researchers acquired respondents email addresses and forward the instrument and instructions to fill the questionnaire.

3.6 Data Analysis Methods

The concept of data analysis is to transform data into meaningful information to make decisions. The process of data analysis involves rectification of omission, editing, coding and putting together or bringing together the information gathered (Mahinda, 2015). The data analysis process began by pre-coding of the responses in the questionnaire. The second step of data analysis involved capturing of the raw data into the statistical Package for Social Sciences (SPSS) version 20 for analysis. The analysis comprised of inferential and descriptive analysis.

The role of descriptive statistical means is to summarize and describe the data. The study used standard deviation and means core of the data to assess the characteristics of data and make it possible to interpret information. The inferential statistics used in this research were correlation to measure the association of the dependent and
independent variables. Linear regression analysis was used to measure the direction of the relationship between the independent and dependent variables.

3.7 Chapter Summary
A descriptive research design was proposed for the research. A cross-sectional descriptive research design was chosen. The Retail, Care Centre/ Customer Operations and Consumer Business departments were chosen with a target population of 2,097. The sample size for the study was established as 352 and the questionnaire was identified as the primary tool for data collection. Data will be analysed using both descriptive and inferential statistics.
CHAPTER FOUR

4.0 DATA RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the data results and findings. The chapter is presented in section which includes the demographic information of the respondents, descriptive statistics of product innovation strategy on performance, process innovation strategy on performance and market innovation strategy on performance.

4.2 Response Rate

The researcher was able to administer 193 questionnaires to staff of Safaricom (K) limited from the targeted Retail, Care Centre/ customer operations and Consumer Business departments in Nairobi County. The researcher was able to use 181 questionnaires for the analysis as 12 questionnaires did not meet the criterion for data analysis due to incomplete and mixed responses and accounted for a 51% response. Nulty (2008) opine that a response rate of 50 percent as good for research

4.3 Demographic Information

The demographic information of the respondents is presented in tables and figures and includes the age, gender, education level, work experience and staff department. This information was relevant for the study as it provided an understanding the staff of Safaricom (K) Limited in terms of effect of innovation on performance.

4.3.1 Age of Staff

In regard to their age, the findings show that majority of staff were between the ages of 25-34 years as cited by 31.3 percent, 27.4 percent were 35-44 years, 18.4 percent were 18-24 years, 16.2 percent were 45-54 years and 6.7 percent were over 55 years old as shown in Figure 1. Safaricom has been in existence for 16 years so being a young and growing company majority of the employed employees are young people. Majority of the employees who are at the customer care and retail also have a high turnover due to the fact that its young graduates who are still pursuing their careers and seek growth in other companies.
4.3.2 Gender of Staff

Figure 2 shows the gender of staff which indicated that 53.6 percent were female staff as compared to 46.4 percent were male respondents. The findings show that majority of staff at Safaricom (K) Limited is male which is attributed to the service nature of the company which are mostly staffed by female workers.

4.3.3 Education Level of Staff

In terms of education level of staff the findings showed that staff was in the postgraduate level of education as cited by 35.8 percent, the second most cited education level was bachelor degree as cited by 45.2 percent and 19.0 percent had a college and polytechnic level of education as shown in Figure 3. Majority having a
bachelor’s degree, the post graduate reason being it’s still a young work force so majority of the staff this is when they are beginning to pursue their postgraduate.

![Education Level of Respondents](image)

**Figure 3: Education Level of Respondents**

### 4.3.4 Work Experience of Staff

The results show that majority of staff had 4-8 years at Safaricom (K) Limited as cited by 37.4 percent, 28.5 percent were 9-13 years, 21.2 percent had more than 14 years and 12.9 percent cited having worked for Safaricom for less than 3 years as shown in Figure 4. The findings show that most staff had worked for more than 4 years at Safaricom. This enhanced the validity of the study findings as most of staff have seen some of the innovation initiatives of Safaricom and have a better understanding of what effect they have had on Safaricom performance. Majority of Safaricom staff stay in Safaricom for about 5-7 years before moving to other companies, being a young work force majority feel they need to change employers and gain experience and growth in other companies.
Figure 4: Work Experience of Respondents
4.3.5 Staff Department

Figure 5 shows the staff departments to which staff belonged which indicated that majority of staff were in the care centre/customer operations (48.6 percent), retail (33.0 percent) and consumer business (18.4 percent). The customer care employs a lot of people due to the wide subscriber base of Safaricom (K) Limited.

![Staff Department]

Figure 5: Staff Department of Respondents

4.4 Product Innovation Strategy on Performance in Safaricom (K) Limited

Table 4.1 shows the effect of product innovation on performance at Safaricom according to the respondents. Ten statements were presented to staff to indicate to what extent they agreed or disagreed on the effect of product innovation on performance at Safaricom. The responses were ranked from 1-5 on a likert scale. The closer the responses to a mean score of 5 indicated that staff strongly agreed on effect of product innovation on performance. A lower mean score below 3 means that staff disagreed on the effect of product innovation on performance at Safaricom (K) Limited.

4.4.1 Descriptive Statistics

The highest mean score observed in the results was Our Company develops new products with technical specifications (M=3.57; SD=1.314). The second most ranked statement of product innovation effect on performance was our company increases manufacturing quality materials of current products (M=3.45; SD=1.366) followed by our company decreases manufacturing cost materials of current products (M=3.36; SD=1.388).
The findings also showed that the least ranked items was our company decreases manufacturing costs in components of current products (M=2.54; SD=1.185), this was followed by our company develops new products with materials totally differing from the current ones (M=2.56; SD=1.170), and our company develops new products for to improve customer satisfaction (M=2.64; SD=1.242).

**Table 4.1: Effect of Product Innovation on Performance at Safaricom.**

<table>
<thead>
<tr>
<th>Product Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company increases manufacturing quality in components of current products</td>
<td>16.8%</td>
<td>21.2%</td>
<td>17.3%</td>
<td>21.8%</td>
<td>22.9%</td>
<td>3.12</td>
<td>1.418</td>
</tr>
<tr>
<td>Our Company decreases manufacturing costs in components of current products</td>
<td>23.5%</td>
<td>24.6%</td>
<td>33.5%</td>
<td>10.6%</td>
<td>7.8%</td>
<td>2.54</td>
<td>1.185</td>
</tr>
<tr>
<td>Our company develops newness for current products leading to improved ease of use for customers</td>
<td>7.8%</td>
<td>4.5%</td>
<td>40.2%</td>
<td>29.6%</td>
<td>17.9%</td>
<td>3.45</td>
<td>1.081</td>
</tr>
<tr>
<td>Our Company develops new products with technical specifications</td>
<td>11.7%</td>
<td>7.3%</td>
<td>24.0%</td>
<td>25.7%</td>
<td>31.3%</td>
<td>3.57</td>
<td>1.314</td>
</tr>
<tr>
<td>Our company develops new products with components totally differing from current ones.</td>
<td>22.3%</td>
<td>24.0%</td>
<td>18.4%</td>
<td>15.6%</td>
<td>19.6%</td>
<td>2.86</td>
<td>1.436</td>
</tr>
<tr>
<td>Our company designs product functionalities totally differing from the current ones</td>
<td>16.2%</td>
<td>22.9%</td>
<td>21.8%</td>
<td>21.2%</td>
<td>17.9%</td>
<td>3.01</td>
<td>1.346</td>
</tr>
<tr>
<td>Our company develops new products with materials totally differing from the current ones</td>
<td>22.3%</td>
<td>27.4%</td>
<td>25.7%</td>
<td>20.1%</td>
<td>4.5%</td>
<td>2.56</td>
<td>1.170</td>
</tr>
<tr>
<td>Our company develops new products to improve customer satisfaction</td>
<td>22.9%</td>
<td>23.5%</td>
<td>27.9%</td>
<td>17.3%</td>
<td>8.4%</td>
<td>2.64</td>
<td>1.242</td>
</tr>
<tr>
<td>Our company decreases manufacturing cost materials of current products</td>
<td>15.6%</td>
<td>11.2%</td>
<td>20.7%</td>
<td>26.3%</td>
<td>26.3%</td>
<td>3.36</td>
<td>1.388</td>
</tr>
<tr>
<td>Our company increases manufacturing quality materials of current products</td>
<td>10.6%</td>
<td>15.6%</td>
<td>24.6%</td>
<td>16.2%</td>
<td>33.0%</td>
<td>3.45</td>
<td>1.366</td>
</tr>
</tbody>
</table>
4.4.2 Regression Analysis

Table 4.2 shows the model summary of product innovation and performance and the R square ($R^2$) was 0.621 which implies that product innovation explained 62.1% of variation on Safaricom (K) Limited performance.

Table 4.2: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.801(a)</td>
<td>.621</td>
<td>.499</td>
<td>2.3214</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Product Innovation

The Analysis of Variance results (Table 4.3) show that the significance values was $p = 0.000$ which means that the influence of product innovation on performance was significant.

Table 4.3: ANOVA (b)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>3</td>
<td>131.487</td>
<td>13.212</td>
<td>.000(a)</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>177</td>
<td>9.952</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2155.923</td>
<td>180</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Product Innovation
b Dependent Variable: Performance

The regression coefficients show the direction of relationship between the independent and dependent variable. Table 4.4 shows that a unit increase in product innovation led to a 0.701 unit increase in performance of Safaricom (K) Limited and this was significant ($p = 0.000$).

Table 4.4: Coefficients (a)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>B</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>21.362</td>
<td>2.411</td>
<td>7.804</td>
</tr>
<tr>
<td></td>
<td>Product innovation</td>
<td>.701</td>
<td>.108</td>
<td>.428</td>
</tr>
</tbody>
</table>

a Dependent Variable: Performance
4.5 Process Innovation Strategy on Performance in Safaricom (K) Limited

Table 4.5 shows the effect of process innovation on performance at Safaricom according to the respondents. The responses were ranked from 1-5 on a likert scale. The closer the responses to a mean score of 5 indicated that staff strongly agreed on effect of product innovation on performance. A lower mean score below 3 means that staff disagreed on the effect of process innovation on performance at Safaricom (K) Limited.

4.5.1 Descriptive Statistics

The highest observed mean score was our company adopts advanced real-time process control technology (M=3.95; SD=1.221) the second most ranked item was our company imports advanced automatic quality restriction (M=3.44; SD=1.402) and our Company eliminates non value adding activities in service processes (M=3.39; SD=0.836).The least ranked items on the effect of market innovation and performance was our company imports advanced programmable equipment (M=2.37; SD=1.180). This was followed by our company has decreases variable cost components in service processes (M=2.59; SD=1.168) and our company has eliminated non value adding activities in delivery related processes (M=2.79; SD=1.448).
Table 4.5: Effect of Process Innovation on Performance

<table>
<thead>
<tr>
<th>Process Innovation Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company has determined non value adding activities in delivery related processes</td>
<td>16.8%</td>
<td>12.3%</td>
<td>22.3%</td>
<td>25.7%</td>
<td>22.9%</td>
<td>3.25</td>
<td>1.382</td>
</tr>
<tr>
<td>Our company has decreased variable cost in related logistic processes</td>
<td>18.4%</td>
<td>15.6%</td>
<td>31.3%</td>
<td>20.1%</td>
<td>14.5%</td>
<td>2.96</td>
<td>1.297</td>
</tr>
<tr>
<td>Our company has increased delivery speed in delivery related logistics processes</td>
<td>17.3%</td>
<td>17.3%</td>
<td>36.9%</td>
<td>15.1%</td>
<td>13.4%</td>
<td>2.89</td>
<td>1.245</td>
</tr>
<tr>
<td>Our company adoptes advanced real-time process control technology</td>
<td>6.7%</td>
<td>7.3%</td>
<td>14.5%</td>
<td>26.8%</td>
<td>44.7%</td>
<td>3.95</td>
<td>1.221</td>
</tr>
<tr>
<td>Our company imports advanced automatic quality restriction equipment/software</td>
<td>13.4%</td>
<td>14.5%</td>
<td>16.8%</td>
<td>24.6%</td>
<td>30.7%</td>
<td>3.44</td>
<td>1.402</td>
</tr>
<tr>
<td>Our company has eliminated non value adding activities in delivery related processes</td>
<td>22.3%</td>
<td>28.5%</td>
<td>17.9%</td>
<td>10.1%</td>
<td>21.2%</td>
<td>2.79</td>
<td>1.448</td>
</tr>
<tr>
<td>Our company has increased output quality in service software</td>
<td>10.1%</td>
<td>17.9%</td>
<td>21.8%</td>
<td>30.2%</td>
<td>20.1%</td>
<td>3.32</td>
<td>1.261</td>
</tr>
<tr>
<td>Our company has decreases variable cost components in service processes</td>
<td>21.2%</td>
<td>27.9%</td>
<td>25.1%</td>
<td>21.2%</td>
<td>4.5%</td>
<td>2.59</td>
<td>1.168</td>
</tr>
<tr>
<td>Our company imports advanced programmable equipment</td>
<td>29.1%</td>
<td>28.5%</td>
<td>22.9%</td>
<td>15.1%</td>
<td>4.5%</td>
<td>2.37</td>
<td>1.180</td>
</tr>
<tr>
<td>Our company eliminates non value adding activities in service processes</td>
<td>2.8%</td>
<td>5.0%</td>
<td>52.0%</td>
<td>30.7%</td>
<td>9.5%</td>
<td>3.39</td>
<td>0.836</td>
</tr>
</tbody>
</table>

4.5.2 Regression Analysis

Table 4.6 show the model summary of the regression analysis between process innovation and performance of Safaricom (K) Limited. The results indicate that process innovation explained 47.2 % \( R^2 = .472 \) of performance at Safaricom (K) Limited.

Table 4.6: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.545(a)</td>
<td>.472</td>
<td>.510</td>
<td>2.7816</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Process Innovation

The analysis of variance results indicated that the process innovation influence on performance model was not significant in explaining the influence of process innovation on performance as shown in Table 4.7.
The simple regression coefficients show that a unit increase in process innovation lead to a 0.217 unit increase in performance at Safaricom (K) Limited but this influence was not significant ($p = 0.061$) as depicted in Table 4.8.

### Table 4.8: Coefficients (a)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>B</td>
</tr>
<tr>
<td>(Constant)</td>
<td>13.117</td>
<td>1.752</td>
<td>7.486</td>
<td>.000</td>
</tr>
<tr>
<td>Process innovation</td>
<td>.217</td>
<td>.084</td>
<td>.288</td>
<td>4.965</td>
</tr>
</tbody>
</table>

(a) Dependent Variable: Performance

### 4.6 Market Innovation Strategy on Performance in Safaricom (K) Limited

Table 4.9 shows the effect of market innovation on performance at Safaricom according to the respondents. Ten statements were presented to staff to indicate to what extent they agreed or disagreed on the effect of market innovation on performance at Safaricom. The responses were ranked from 1-5 on a likert scale. The closer the responses to a mean score of 5 indicated that staff strongly agreed on effect of product innovation on performance. A lower mean score below 3 means that staff disagreed on the effect of market innovation on performance at Safaricom (K) Limited.

#### 4.6.1 Descriptive Statistics

In terms of effect of market innovation on performance at Safaricom, the highest observed mean was Improving service quality is one of our key objectives of our market innovation strategy ($M=3.59$; $SD=1.364$). This was followed by our market innovation and way of operation is the most suitable for delighting our customers ($M=3.39$; $SD=1.836$) and the company competiveness has increased greatly since the introduction of market innovation ($M=3.10$; $SD=1.236$). The least mean score items on effect of market innovation on performance was formulating market innovation.
increases employee knowledge and skills (M=1.82; SD=1.262) followed by Market innovation strategy has helped the organization to achieve its strategic goals (M=2.30; SD=1.365) and Internal cooperation is an important part of market innovation strategy (M=2.51; SD=1.622).

**Table 4.9: Effect of Market Innovation on Performance**

<table>
<thead>
<tr>
<th>Market Statements</th>
<th>Innovation Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving service quality is one of our key objectives of our market innovation strategy</td>
<td>12.8%</td>
<td>8.4%</td>
<td>19.0%</td>
<td>26.3%</td>
<td>33.5%</td>
<td>3.59</td>
<td>1.364</td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction is part of our market innovation strategy</td>
<td>23.5%</td>
<td>19.0%</td>
<td>20.7%</td>
<td>15.1%</td>
<td>21.8%</td>
<td>2.92</td>
<td>1.468</td>
<td></td>
</tr>
<tr>
<td>Market innovation strategy has helped the organization to achieve its strategic goals</td>
<td>41.4%</td>
<td>17.3%</td>
<td>18.4%</td>
<td>14.5%</td>
<td>8.4%</td>
<td>2.30</td>
<td>1.365</td>
<td></td>
</tr>
<tr>
<td>Improving administration routines is seen as part of our market innovation strategy</td>
<td>26.3%</td>
<td>8.9%</td>
<td>43.0%</td>
<td>12.3%</td>
<td>9.5%</td>
<td>2.69</td>
<td>1.249</td>
<td></td>
</tr>
<tr>
<td>Internal cooperation is an important part of market innovation strategy</td>
<td>43.6%</td>
<td>14.5%</td>
<td>9.5%</td>
<td>11.2%</td>
<td>21.2%</td>
<td>2.51</td>
<td>1.622</td>
<td></td>
</tr>
<tr>
<td>Formulating market innovation increases employee knowledge and skills</td>
<td>52.6%</td>
<td>13.4%</td>
<td>8.4%</td>
<td>20.1%</td>
<td>5.6%</td>
<td>1.82</td>
<td>1.262</td>
<td></td>
</tr>
<tr>
<td>Increasing marketing aggressiveness is an important part of market innovation</td>
<td>16.2%</td>
<td>6.7%</td>
<td>35.2%</td>
<td>31.3%</td>
<td>10.6%</td>
<td>3.13</td>
<td>1.201</td>
<td></td>
</tr>
<tr>
<td>Our market innovation and way of operation is the most suitable for delighting our customers</td>
<td>2.8%</td>
<td>5.0%</td>
<td>52.0%</td>
<td>30.7%</td>
<td>9.5%</td>
<td>3.39</td>
<td>1.836</td>
<td></td>
</tr>
<tr>
<td>Market innovation has enhanced organizational performance greatly</td>
<td>36.3%</td>
<td>20.1%</td>
<td>6.7%</td>
<td>11.2%</td>
<td>25.7%</td>
<td>2.69</td>
<td>1.648</td>
<td></td>
</tr>
<tr>
<td>The company competitiveness has increased greatly since the introduction of market innovation</td>
<td>14.5%</td>
<td>14.0%</td>
<td>32.4%</td>
<td>14.0%</td>
<td>14.5%</td>
<td>3.10</td>
<td>1.236</td>
<td></td>
</tr>
</tbody>
</table>
4.6.2 Regression Analysis

Table 4.10 shows the model summary of the simple regression analysis between market innovation and performance at Safaricom (K) Limited. The findings show that market innovation explained 63.1% ($R^2 = .631$) of variation in performance of Safaricom (K) Limited.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.729(a)</td>
<td>.631</td>
<td>.500</td>
<td>2.44627</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), market Innovation

The analysis of variance results on effect of market innovation on Safaricom (K) Limited performance show that the linear model is significant ($p = 0.006$) as shown by Table 4.11.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>146.201</td>
<td>3</td>
<td>48.734</td>
<td>4.292</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>2009.721</td>
<td>177</td>
<td>11.354</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2155.923</td>
<td>180</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Market innovation
b Dependent Variable: Performance

In regard to the regression coefficients results, Table 4.12 shows that a unit increase in market innovation translates to a 0.337 unit increase in Safaricom (K) Limited performance and this was significant ($p = 0.004$).

<table>
<thead>
<tr>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>B</td>
</tr>
<tr>
<td>(Constant)</td>
<td>30.537</td>
<td>.2285</td>
<td>13.366</td>
</tr>
<tr>
<td>Market innovation</td>
<td>.337</td>
<td>.114</td>
<td>-.215</td>
</tr>
</tbody>
</table>

4.7 Correlation Analysis of Innovation Strategies and Performance

Table 4.13 shows the correlation results between product innovation, process innovation and market innovation on performance at Safaricom (K) Limited. The results show that there was a positive and significant correlation between product innovation and performance. Similarly, a positive and significant relationship between
market innovation and performance was also established. The results also indicate a positive relationship between process innovation and performance although this was not significant. These findings indicate that product innovation had a strong association with performance at Safaricom (K) Limited followed by market innovation.

Table 4.13: Correlation of Innovation and Performance at Safaricom (K) Limited

<table>
<thead>
<tr>
<th></th>
<th>Product Innovation</th>
<th>Process Innovation</th>
<th>Market Innovation</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Innovation</td>
<td>Pearson correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>181</td>
<td>181</td>
<td>181</td>
<td>181</td>
</tr>
<tr>
<td>Process Innovation</td>
<td>Pearson correlation</td>
<td>-.026</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-.026</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>181</td>
<td>181</td>
<td>181</td>
<td>181</td>
</tr>
<tr>
<td>Market Innovation</td>
<td>Pearson correlation</td>
<td>.046</td>
<td>.178(*)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.046</td>
<td>.178(*)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>181</td>
<td>181</td>
<td>181</td>
<td>181</td>
</tr>
<tr>
<td>Firm Performance</td>
<td>Pearson correlation</td>
<td>.542(**)</td>
<td>.086</td>
<td>.309(**)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.542(**)</td>
<td>.086</td>
<td>.309(**)</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>181</td>
<td>181</td>
<td>181</td>
<td>181</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

4.8 Chapter Summary

This chapter presented the results and findings of the study. The results were presented in tables and charts and the researchers own interpretation. The chapter was presented in sections which included response rate, respondents’ demographic information, descriptive analysis of the study objectives, correlation analysis and simple regression analysis of each of the independent variables on the dependent variable. The next chapter of the study presented the discussion, conclusion and recommendations of the research.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This is the final chapter of the study. The chapter presents a summary of findings, discussion of the study findings and conclusion of the study. The chapter also presents the recommendations for the study which include recommendations for improvements and recommendations for further study.

5.2 Summary of Findings
The general objective of the study was to examine the effects of innovation strategy on firm performance in the telecommunication industry taking Safaricom (K) Limited as a case. The study was guided by three specific objectives. To determine the influence of product innovation strategy on performance in Safaricom Kenya Limited; establish the effect of process innovation strategy on performance in Safaricom Kenya Limited and determine the influence of market innovation strategy on performance in Safaricom Kenya Limited.

The research adopted a descriptive survey research design. The population for the study was customer service departments at Safaricom (K) Limited. These included the Retail, Care Centre/ Customer Operations and Consumer Business departments. The stratified random sampling procedure was used for the study and the sample size was established at 181 staff. The questionnaire was adopted as the primary tool for data collection. Descriptive analysis, correlation analysis and regression analysis were used to analyze the data. Data was presented in charts and tables and the researcher’s own interpretation.

In regards to the impact of product innovation strategy on performance, the descriptive analysis showed that the highest mean score observed in the results was our company develops new products with technical specifications (M=3.57; SD=1.314). The second most ranked statement of product innovation effect on performance was our company increases manufacturing quality materials of current products (M=3.45; SD=1.366). Correlation analysis showed that there was a positive and significant correlation between product innovation strategy and performance. The
multiple regression analysis confirmed an increase in product innovation led to an increase in performance and this was significant.

The results showed that the two highest observed mean score for process innovation strategy was our company adopts advanced real-time process control technology (M=3.95; SD=1.221) and our company imports advanced automatic quality restriction (M=3.44; SD=1.402). The correlation analysis showed that there was a positive association between process innovation and performance but this was not significant. Regression analysis confirmed that there was a linear relationship between process innovation and performance but this was not significant.

In terms of effect of market innovation on performance at Safaricom, the highest observed mean was improving service quality is one of our key objectives of our market innovation strategy (M=3.59; SD=1.364). This was followed by our market innovation and way of operation is the most suitable for delighting our customers (M=3.39; SD=1.836). The correlation analysis showed that there was a positive and significant association between market innovation and performance. The multiple regression analysis confirmed that there was a strong and positive relationship between market innovation and performance.

5.3 Discussion

5.3.1 Product Innovation and Performance

The findings showed that Safaricom (K) Limited developed new products with technical specifications. Correlation analysis showed that there was a positive and significant coloration between product innovation strategy and performance. The multiple regression analysis confirmed an increase in product innovation led to an increase in performance and this was significant. This finding supports earlier studies that showed that product innovation relates positively to the growth and increase in revenues (De Faria & Mendonça, 2011) and profitability (Cozza et al. 2012).

In support of this, there are several studies that have found that there is a direct effect of product innovation on organisation performance (Szymanski et al. 2007; Bowen et al. 2010; Calantone et al., 2010). Bayus, Erickson and Jackson (2003) proved that performance of an organization is positively and significantly linked to the product

According to Hult et al. (2004), an organisation that uses product innovation in its operations allows it to have protection from market threats among its competitors. Bayus et al. (2003) showed that an organizations’ product innovation had a significant and positive association with firm performance. Espallardo and Ballester (2009) used data from 744 SMEs in Spain affirmed that there was a positive effect on organisation performance. Moreover, Alegre et al. (2006) research revealed that product innovation constructs of efficiency and efficacy in an organisation were positively and strongly associated with firm performance. An organisation that introduces a new product was also shown to have an effect on organisation performance (Varis & Littunen, 2010).

Similarly, Alegre et al. (2006) found that both efficiency and efficacy from product innovation dimensions had a direct effect on organisation performance. This finding agrees with Benedetto and Mu (2011) research which found that innovation affects the processes, services and products which come as a result of creativity, experimentation and new ideas. Ana et al. (2011) research revealed that performance and innovativeness direct relationship to the existence of inimitability and uniqueness of the products.

There is also evidence to support the study findings that product innovation in the telecommunication industry is a key strategy for improving their performance. Altindag, Zehir & Acar (2010) confirmed that organisations use technology are seen as having better output and performance because they admit that using new technologies for constant research, product innovation and development which allows the organisation to have unique products which cannot be duplicated.

The findings suggested that Safaricom (K) Limited performance is influenced by its reliance on producing products with technical specifications and this give it an edge over its competitors. This finding supports local studies that have shown the importance of product innovation on performance of firms in the mobile industry. Njoroge, Muathe and Bula (2016) study confirmed that technology was important to explain the changes in performance of telecom companies. The study concluded that
telecoms companies need to invest more in technology to meet the changes that are needed to improve performance.

This finding agrees with Mathenge (2013) research which investigated the effect of innovation on competitive advantage of telecommunication companies in Kenya. The majority of respondents indicated that product innovation was adopted by telecommunication companies in Kenya. The study revealed that product innovation encouraged financial performance on the organization’s objectives to a great extent.

5.3.2 Process Innovation and Performance

The findings indicated that Safaricom (K) Limited adopted advanced real-time process control technology in its operations. The correlations results showed that there was a positive association between process innovation and performance but this was not significant. Regression analysis confirmed that there was a linear relationship between process innovation and performance but this was not significant. These results suggest that process innovation strategy is not a core strategy in Safaricom (K) Limited operations. This finding supported Corrocher and Zirulia (2010) argument that process innovation is specific to certain service industries as it is influenced by customers’ heterogeneity which is not true of the mobile sector.

Cecere et al. (2014) argued that as a telecommunication industry reaches the level of maturity in the life cycle, competition is more about price and the market becomes saturated since only a few players are able to leverage the economies of scale to have a positive and significant for the firm. The competitive importance is on reducing costs and as organisation attempt to reduce costs, the most notable form is process innovation and is not product innovation. This argument is significant to Kenya’s telecommunication industry which has already passed by the maturity stage at which competitors were trying to reduce costs and thus process innovation may not be a strategy to enhance performance.

This finding disagrees with Oluseye et al. (2014) study which found evidence that service process innovation had a direct effect on firm performance. (Ibid) findings showed that this effect was observed as a result that an organisation that uses automation of their services, internet technology in everyday operations and uses toll-
free communication means as an innovative service process do perform better in the sector.

This finding further disagrees with Letangule and Letting (2012) research revealed that process innovation approaches such as conforming to regulations contribute to profitability and growth and in reduction of costs. The study deduced that technology use innovation promotes a helpful and friendly employees thus customer satisfaction and that innovation ensure that services given to consumers are of high quality.

The study findings do not agree with previous studies which found the significance of process innovation among telecommunication firms. The innovation in processes influences in an important way the economic efficiency of the high technology companies. For instance, Safaricom (K) Limited is an organisation that is highly dependent on existing and emerging technologies in delivering its services. Process innovation influences efficiency of companies. Thatcher and Oliver (2001) believed that investments in technology that reduce fixed costs leads to higher profits margins and improved the productivity and efficiency of the firm.

Oluseye, Ayodotun and Adetowubo-King (2014) study assessed the association between performance and service innovation in the telecoms sector indicated that service modification, service process innovation and service innovation structure have a significant and positive influence on organisation performance.

Oluseye et al. (2014) affirmed that process innovation can be of help to organisation as it has benefits of lowering risk and efficiency. This finding implied that service process innovation has an effect on firm performance. The findings also go against those of Suhag et al. (2017) study on the relationship of innovation with organizational performance found that process innovation had a significant effect on process innovation among telecom companies in Pakistan.

5.3.3 Market Innovation and Performance
The results indicated that improving service quality was one of Safaricom (K) Limited key objectives of its market innovation strategy. The correlation analysis showed that there was a positive and significant association between market innovation and
performance. The multiple regression analysis confirmed that there was a strong and positive relationship between market innovation and performance.

According to Epetimehin (2016) marketing innovations includes creation of delivering insurance services, new services to consumers and promote services and delivering them to consumers in the right place and time and in speed should be important to meet consumer needs. In a study on competitive advantage and market innovation in the insurance sector, (Ibid.) found a statistical relation between marketing innovation and creativity and achieving competitive advantage. These findings confirmed Sandvik and Sandvik (2003) opinion that marketing innovation has a positive effect on increasing sales and firm’s performance. If an organizational marketing competence and potentials are efficiently and appropriately harness with other forms of technologies, such an organization is bound to be reckon with in such industry.

This finding also agrees with Letangule and Letting (2012) results indicated that market innovations had an effect on organisation performance in the Kenyan telecoms sector. The researcher indicated that organisation that adopted environmental response and analysis to change against the organisation that adopted aggressive anti-competitors marketing operations. Aggressive anti-competitors marketing operations contribute to organisation profitability more.

The findings also support Sengu and Kilango (2015) study on marketing innovation strategies for improving customer satisfaction at Vodacom Tanzania which revealed that that marketing innovation was a strategy that was used among telecommunication firms to achieve competitive advantage and firm performance. Soi (2016) conducted a study on effect of innovation strategies on the performance of firms in the telecommunication industry in Kenya and concluded that marketing innovations have a strong positive relationship with the performance of the telecommunication firms.

Market innovation is not a technological innovation for firms that are operating in the telecoms sector. However, organisations use market innovation to enhance their efficiency in business operations (Polder et al., 2010). Market innovation involves firms developing new methods of marketing, developing new techniques, tools and
methods for marketing which have a significant effect on firms. The examples of market innovation is changing ways for collecting consumers’ information and today organisation can use computer technology to collect consumer information. The significance of market innovation to organisation performance although limited is also evident in the literature. Sandvik and Sandvik (2003) found that market innovation has a direct impact on increasing the sales of an organisation. Johne and Davies (2000), conquer that market innovation would enhance sales by increasing product demands which leads to additional profit to innovative organisations. In the same vein, Otero-Neira et al. (2009) study findings indicated a positive influence of market innovation on business performance. This was supported by Varis and Littunen (2010) results which affirmed a direct relationship between market-related innovation and organisation performance.

5.4 Conclusion

5.4.1 Product Innovation
The study reaffirmed that there is a positive and significant relationship between product innovation and performance in the telecommunications industry. The study therefore concludes that there is a positive and significant effect of product innovation strategy on performance of Safaricom (K) Limited. The study further concludes that among the innovation strategies included in the study, product innovation strategy had the most influence on performance of Safaricom (K) Limited.

5.4.2 Process Innovation
The study confirmed that there was no significant influence of the process innovation strategy on performance in the telecommunications industry. The researcher therefore concludes that process innovation strategy has no significant effect on performance of Safaricom (K) Limited. The study further confirmed that among market innovation and product innovation, process innovation had the least impact on performance of Safaricom (K) Limited.

5.4.3 Market Innovation
The study affirmed that market innovation strategy had a significant effect on performance in the telecommunications sector. The study therefore concludes that there is a positive and significant effect of market innovation strategy on performance
of Safaricom (K) Limited. The study concludes that market innovation strategy was the second most significant innovation strategy to affect performance of Safaricom (K) Limited.

5.5 Recommendations

5.5.1 Recommendations for Improvements

5.5.1.1 Product Innovation
The study recommends that Safaricom (K) Limited should continuously engage in product innovation to enhance the competitive advantage it possesses against other players in the telecommunications sector. This can be achieved by conducting market research among its users and non-users to identify products that they can introduce into their product catalogue.

5.5.1.2 Process Innovation
The study recommends that Safaricom (K) Limited should consistently analyse and measure their services operations in an effort to enhance operations efficiency. This can be achieved by keeping up with best practices in the global telecommunication sector and integrating these processes in their operations to maintain their competitive advantage.

5.5.1.3 Market Innovation
The study recommends that Safaricom (K) Limited should embrace the adoption of market innovation strategies by taking advantage of the numerous communication technologies and mediums to reach a larger audience.

5.5.2 Recommendations for Further Study
The purpose of the study was to examine the effects of innovation strategy on firm performance in the telecommunication industry taking Safaricom (K) Limited as a case. The study was guided by three specific objectives. To determine the influence of product innovation strategy on performance in Safaricom Kenya Limited; establish the effect of process innovation strategy on performance in Safaricom Kenya Limited and determine the influence of market innovation strategy on performance in
Safaricom Kenya Limited. The study recommends that there should be more study on effect of innovation strategy on performance of telecommunication sector using a case by case analysis of the telecommunication sector players. A comparative study of innovation strategies and how telecommunication firms are using them and what impact they have had on their performance.
REFERENCES
Anderson K, & Nelgen, S. (2011). *How valuable are the various quality segments of the world’s wine markets?* Wine Economics Research Centre, School of Economics, University of Adelaide.


Bagorogoza, J. & Waal, A. D. (2010). The Role of Knowledge Management in Creating and Sustaining High Performance Organisations the Case of


Cecerea, G., Corrocher, N. & Battaglia, R. D. (2014). Innovation and competition in the smartphone industry: Is there a dominant design? Telecommunication Policy, 39, 3-4


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APPENDICES

APPENDIX I: COVER LETTER

Alice Njeri
Mobile No: 0723789139
Email address: alynjesh2010@gmail.com

Dear Respondent,

RE: Request To Participate In Data Collection Exercise

I am a graduate student at United States International University pursuing a Degree of Masters of Business Administration (MBA), I have designed a questionnaire to gather information on **EFFECTS OF INNOVATION STRATEGY ON FIRM PERFORMANCE IN TELECOMMUNICATIONS INDUSTRY: A CASE OF SAFARICOM KENYA LIMITED.**

As a manager of Safaricom (K) Limited you have been selected to participate in this survey. The questionnaire has been divided into five sections which ask for your demographic information and corresponding sections are on effects of Product Innovation, Process Innovation and Market Innovation influence on Firm Performance. The questions are based on a 5 point Likert scale. You are required to rate with a tick the in the spaces provided alongside the statements. The information provided will only be accessible to the researcher for analysis and will remain anonymous and kept with confidence.

Thank you for taking time to complete this survey.

Yours Faithfully,

Alice Njeri (Researcher)
APPENDIX II: QUESTIONNAIRE FOR SAFARICOM (K) LIMITED
CUSTOMER DEPARTMENTS STAFF

Please answer all questions
Please use a (✓) to indicate your response

Section 1: Demographic Information
1. What is your age in years?
   18-24 years old (   )
   25-34 years old (   )
   35-44 years old (   )
   45-54 years old (   )
   Over 55 years old (   )

2. What is your gender?
   Male (   )
   Female (   )

3. Indicate your level of education
   Primary (   )
   Secondary (   )
   College/polytechnic (   )
   Bachelor degree (   )
   Postgraduate degree (   )

4. How long have you been working in this organisation?
   Less than 3 years (   )
   4 – 8 years (   )
   9 – 13 years (   )
   More than 14 years (   )

5. What is your department of service in the organisation?
   Retail (   )
   Care Centre/ customer operations (   )
   Consumer Business (   )
Section 2: Product Innovation Strategy

6. The following statements refer to product innovation strategy in organisations. Please indicate to what extent these statements agree in regard to Safaricom (K) Limited. Where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

<table>
<thead>
<tr>
<th>Product Innovation Statements</th>
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<tbody>
<tr>
<td>1. Our company increases manufacturing quality in components of current products</td>
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<td>2. Our Company decreases manufacturing costs in components of current products</td>
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<td>3. Our company develops newness for current products leading to improved ease of use for customers</td>
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<td>4. Our Company develops new products with technical specifications</td>
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<td>5. Our company develops new products with components totally differing from current ones.</td>
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<td>6. Our company designs product functionalities totally differing from the current ones.</td>
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<td>7. Our company develops new products with materials totally differing from the current ones.</td>
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<td>8. Our company develops new products for to improve customer satisfaction</td>
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<td>9. Our company decreases manufacturing cost materials of current products</td>
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<td>10. Our company increases manufacturing quality materials of current products</td>
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</table>
Section 3: Process Innovation Strategy

7. The following statements refer to process innovation strategy adoption in organisations. Please indicate to what extent these statements agree in your organization. Where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

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<thead>
<tr>
<th>Process Innovation Statements</th>
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<tbody>
<tr>
<td>1   Our company has determined non value adding activities in delivery related processes</td>
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<td>2   Our company has decreased variable cost in related logistic processes</td>
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<td>3   Our company has increased delivery speed in delivery related logistics processes</td>
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<td>4   Our company adopts advanced real-time process control technology</td>
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<td>5   Our company imports advanced automatic quality restriction equipment/software</td>
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<td>6   Our company has eliminated non value adding activities in delivery related processes</td>
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<td>7   Our company has increased output quality in service software</td>
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<td>8   Our company has decreases variable cost components in service processes</td>
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<td>9   Our company imports advanced programmable equipment</td>
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<td>10  Our company eliminates non value adding activities in service processes</td>
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</table>
Section 4: Market Innovation Strategy

8. The following statements refer to market innovation strategy in organisations. Please indicate to what extent these statements agree in regard to Safaricom (K) Limited. Where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

<table>
<thead>
<tr>
<th>Market Innovation Statements</th>
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<tbody>
<tr>
<td>1. Improving service quality is one of our key objectives of our market innovation strategy</td>
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<td>2. Customer satisfaction is part of our market innovation strategy</td>
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<td>3. Market innovation strategy has helped the organization to achieve its strategic goals</td>
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<td>4. Improving administration routines is seen as part of our market innovation strategy</td>
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<td>5. Internal cooperation is an important part of market innovation strategy</td>
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<td>6. Formulating market innovation increases employee knowledge and skills</td>
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<td>7. Increasing marketing aggressiveness is an important part of market innovation</td>
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<td>8. Our market innovation and way of operation is the most suitable for delighting our customers</td>
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<td>9. Market innovation has enhanced organizational performance greatly</td>
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<td>10. The company competitiveness has increased greatly since the introduction of market innovation</td>
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Section 5: Firm Performance

9. The following statements refer to firm performance in organisations. Please indicate to what extent innovation strategies affect firm performance in relation to Safaricom (K) Limited. Where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

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<th>Statements</th>
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<tr>
<td><strong>Market performance</strong></td>
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<tr>
<td>1. Innovation strategies enhance organization’s customer satisfaction</td>
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<td>2. Innovation strategies adopted increase the firm’s total sales</td>
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<td>3. Innovation strategies adoption increase organization’s market share</td>
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<td><strong>Financial performance</strong></td>
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<td>4. Innovation strategies increase the general profitability of the firm</td>
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<td>5. Innovation strategies increase lead to an increase in Limited Return on Investments</td>
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<td>6. Innovation strategies lead to increase in Limited Return on Assets</td>
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Thank You