

**EFFECTS OF INNOVATION AND ITS INFLUENCE ON A FIRM'S
SUSTAINABLE COMPETITIVE ADVANTAGE: A CASE OF
MICROSOFT KENYA**

**BY
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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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Business in Partial Fulfillment of the Requirement for the Degree of
Masters in Business Administration (MBA)**

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

SUMMER 2018

STUDENT'S 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 Africa in Nairobi for academic credit.

Signed: _____

Date: _____

Owiti Gordon Ochieng' (ID-)

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

Signed: _____

Date: _____

Fred Newa

Signed: _____

Date: _____

Dean, Chandaria School of Business

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ABSTRACT

The purpose of the study was to determine the effects of innovation and its influence on a firm's sustainable competitive advantage: A case of Microsoft. This study was guided by the following research objectives; to investigate the influence of networking skills on firm's ability to achieve a sustainable competitive advantage, to investigate the impact of process innovation on firm's ability to achieve a sustainable competitive advantage and to investigate the impact of product innovation on firm's ability to achieve a sustainable competitive advantage.

The study used descriptive research design. The target population was 100 employees. It consisted of senior leadership team middle level management and contingent staff. The study used stratified random sampling and simple random sampling was used to select 84 respondents. Out of 84 only 41 were filled and returned giving a response rate of 49%.

The first objective sought to investigate the influence of networking skills on firm's ability to achieve a sustainable competitive advantage. It was established that respondents agreed that the organization offers customer product and services that have unique features and benefits. However, respondents could not reach an agreement on networks has contributed to the firm's innovation process, networking has helped the organization gain market and finance access, the organization uses focus strategy and through networking the organization has been able to share information, resources and reduce cost.

The second objective investigated the impact of product innovation on firm's ability to achieve a sustainable competitive advantage. It was revealed that respondents agreed that the organization offers product of high quality, the organization offers a wide range of products and services, product re-positioning has helped that organization attract more customers, the organization has increased its efficiency and effectiveness thorough product innovation and product differentiation strategy is used in the organization. However, respondents could not reach an agreement on process innovation has helped the organization to increase its market share, through process innovation in the organization has been able to create new products or services, product innovation has increased employee performance, satisfaction and organizational performance and development of new products is costly and time consuming.

The third objective investigated the impact of process innovation on firm's ability to achieve a sustainable competitive advantage. Findings indicated that respondents agreed that through technological innovation the organizations is able to become more competitive, process innovation has made the organization remain competitive in the industry, use of technology has given the organization the opportunity to increase its process innovation and use information technology has helped the organization to reduce cost and increase information processing. However, respondents could not reach an agreement on process innovation has enabled the organization to reduce production cost and time, production process in the organization is quite effective and efficient and process innovation has enabled the organization to cut production and distributions costs.

In conclusion, Microsoft offers customers products and services that have unique features and benefits, product innovation has helped the organization provide a wide range of products and services and product of high quality. The organization was able to reduce cost and increase information processing, process innovation and increased sales. However, networking has not helped the organization increase its innovation process, gain market and finance access, share information, resources and reduce cost, the organization was not able to increase its market share, create new products or services and increased employee performance and satisfaction, increase production and service delivery, reduce cost and become effective and efficient thought process innovation.

The study recommends that the organization should increase its business network, increase its product innovation strategy and develop process innovation strategies. Hence, minimize production costs, increase the rate of production, increase effectiveness and efficiency lowering costs, reducing the time and improving the quality and flexibility, increase effectiveness and efficiency. In addition, a similar study should be done in other organization to identify effects of innovation and its influence on a firm's sustainable competitive advantage.

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May God bless you abundantly.

DEDICATION

I would like to dedicate this document to the Almighty God, who has showered me with His grace and wisdom without which this study would have not been a success.

I also dedicate this work to my family; to my father Charles Owiti Awino and mother Eveline Akoth Owiti who have continuously supported me ever since.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Innovation is the process of creating new markets, increase customer value and reshaping the existing markets to achieve value improvement for customers (Gebauer, Worch, and Truffer, 2012). Through innovation, organizations are able to generate long term stability, growth, shareholders returns, and sustainable performance and achieve a competitive advantage (Band, Cottam and Ensor, 2001). Innovation helps organizations to better identify market opportunities and exploit them effectively and build a sustainable competitive advantage Trott, (2005). Kiplimo (2011) posit that innovation strategy helps a firm to outperform its competitors, build new product portfolio and retain its customers.

Nauwankas (2013) states that innovation is a key competitive factor that firms can use firms to significantly increase their performance through improvement of products, services, processes, business models and marketing strategies. Technical innovation is an important driver of explaining competitive advantage, business efficiency and corporate success. It has a great impact on work productivity, competitive advantage and company's performance (Phapruek, 2012). Furthermore, technical innovations affects the routines, processes and operations of a company (Armbruster, Bikfalvi, Kinke and Lay, 2008). Amabile (2006) states that innovation is the successful implementation of creative ideas within an organization. It is a strategy adapted by an organization to deal with changes that are taking place in the environment hence, create new ideas and offer innovative products.

Wafula (2011) observes that the importance of innovation literature varies. Damanpour and Aravind (2011) states that innovation process can be used to differentiate if an organization is a generator or a adopter of innovation. In addition, innovation can also be classified as technical and administrative innovation. Product and process innovation (Daft,1992) and radical versus incremental innovation (Damanpour, Walker and Avellaneda 2009). According to Košturiak and Chal' (2008) and Skarzynski and Gibson (2008) states that an innovative process can be divided into inventive and implementation. Inventive is the process where an organization come up with new ideas or concept and implementation is when the idea is implemented and marketed. Pitra, (2006) asserts that innovation is the

result of employees' creativity in an organization and must be targeted at customers and bring added value.

Najmaei (2010) postulated that strategic innovation is relatively new discipline within the field of strategic management. In addition, strategic innovation goes beyond the limitation of the traditional approaches and tools to enable new growth and competitive advantages by creating new markets, new value and new business models. Organizations can use innovation to gain a competitive advantage (Tidd, 2011). According to Davila, Epstein and Shelton (2009), innovation is a necessary ingredient for sustained success and is an integral part of the business. Talke, Salomo and Kock (2011) note that strategic innovation is vital in driving firm performance. Moreover, strategic innovation guides and directs a firm to achieve a sustainable competitive advantage.

Little (2004) proposes that there is a huge untapped possibility to improve profit growth through innovation. Additionally based on his study on Innovation Excellence it was concluded that innovation excellence can increase EBIT by 4% and top innovators have 2.5 times higher sales of new products, and get more than 10 times higher returns from their innovation investments. Companies are able to achieve a competitive advantage through innovation. Innovation can be shown in a new product design, a new production process, a new marketing approach, or a new way of conducting training. It often involves ideas that are not even 'new' ideas that have been around, but have never been pursued (Porter, 1990).

According to López and García (2005), an organization is able to achieve a competitive advantage through process innovation and product innovation by differentiating its product from its competitors, create customer loyalty and entry barriers (Rosenbusch, Brinckmann and Bausch, 2011). Nham, Nguyen, Pham and Nguyen, (2016) investigated the effects of innovation on firm performance of supporting industries in Hanoi–Vietnam. It was revealed that process, marketing, and organizational innovations has a positive effect on firm performance

Afriapollo (2016) investigated strategy of leadership and innovation in improving company performance against competitive advantage in PT. Pegadaian (LTD) Indonesia. It was revealed that innovation affected employees' performance, sustainable competitive advantage and company performance gave positive and significant influence on sustainable competitive advantage. Therrien, Doloreux and Chamberlin (2011) conducted a research

on innovation novelty and (commercial) performance in the service sector: A Canadian firm-level analysis. It was revealed that in order to derive more sales from innovations, firms need to enter the market early or to introduce new products with high levels of uniqueness

Murat and Fulya (2013) investigated the relationship between innovation and firm performance: empirical evidence from Turkish automotive supplier industry. It was established that technological innovation, product and process innovation has significant and positive impact on firm performance. Ibrahim (2016) conducted a research on Innovation orientation and competitive advantage in Safaricom Telecommunication Company. It was concluded that understanding customer needs was the key in increasing the success levels of products in the market and that innovation orientation such as design of goods and services, process and capacity design played a role in the company's competitive advantage. The study recommended that firms should continue using innovation orientation strategy.

Sumiyu (2013) studied the effects of innovation strategies on performance of Commercial banks in Kenya. It was recommended that to successfully adopt the innovation strategy commercial banks should ensure that the staff are well knowledgeable/trained on the necessary skills required to adopt these strategies, the firm should also set aside enough budget for the adoption of these strategies and also there should be performance evaluation in the firm so as to ensure its success in the firm. Mburu (2016) examined the relationship between innovation strategies and competitive advantage in the logistics firms in Mombasa County, Kenya. Findings revealed that product innovation; market innovation and process innovation strategy has a positive and significant effect on competitive advantage.

Koech and Makori (2014) investigated the effects of innovation orientation on financial performance of commercial banks in Kenya. The study established that technology innovation gives rise to higher returns. However, there are fixed costs in technological innovation but marketing innovation and value innovation boosts financial performance among companies. Mutunga, Minja and Gachanja (2014) conducted a research on innovative adaptation and operational efficiency on sustainable competitive advantage of food and beverage Firms in Kenya. Findings revealed that sustainable competitive advantage among food and beverage firms highly regard human capital as a major contributor.

Microsoft Corporation is an American multinational technology company, headquartered in Redmond, Washington. The company deals mainly in computer software, consumer electronics, personal computers, and services. In this research, the study will be focused on employees within Microsoft WECA. Microsoft WECA (West, East and Central Africa) is part of Microsoft Middle East and Africa region sales territory, covering the western, eastern and central portions of Africa. The WECA sales territory consists of seven subsidiaries; Africa New markets (ANM), Kenya, Rest of East and Southern Africa (RESA), West and Central Africa (WCA), Ghana, Indian Ocean Islands and Angola.

1.2 Statement of the Problem

A competitive advantage is achieved when an organization develops an attribute or a special edge that allows it to perform better than competitors. Kiplimo (2011) conducted a survey of the relationship between innovation strategies and competitive advantage among banks listed in the Nairobi Stock Exchange. It was concluded that majority of the banks have adopted and innovated various strategies so as to gain competitive advantage. Arunda (2015) investigated the influence of innovation on competitive advantage: A case of Mpesa. It was revealed that MPESA innovation positively influenced competitive advantage.

Nauwankas (2013) studied application of innovation strategies to create a sustainable competitive advantage at the National Bank of Kenya Limited. It was established that customer needs, technological changes managerial and employment structures, organizational structure and culture as well as staff skill development are factors influencing development of innovation strategies in the bank. Karanja (2011) investigated a study on competitive advantage through innovation strategies in United Bank of Africa Ltd. The study concluded that innovation strategies adopted by UBA, contributed to the bank's survival and success in the uncertain and competitive financial environment consequently achieving competitive advantage.

Wafula (2011) examined organizational innovation and competitive advantage among health focused non-governmental organizations in Nairobi Kenya. It was revealed that organizations that uses innovation activates are able to gain a competitive advantage as compared to organizations that are not using innovation activates. Mathenge (2013) conducted a research on the effect of innovation on competitive advantage of telecommunication companies in Kenya. It was revealed that telecommunications companies have been able to achieve a competitive advantage due to financial innovation.

A lot of research has been done on innovation and competitive advantage in banks and other organizations. However none has been done on Microsoft.

According to Nauwankas (2013) indicated that empirical study has indicated a number of relevant issues that the research project did not investigate, but which might be important for further research on application of innovation strategies to create a sustainable competitive advantage. Therefore, the study tends to close that gap and add more knowledge on innovation strategies to create a sustainable competitive advantage.

1.3 General Objective

The objective of this study was to investigate the influence of Microsoft WECA employees' innovation skills on the firm's sustainable competitive advantage, and to consequently enable it stay ahead of the competition.

1.4 Specific Objectives

1.4.1 To investigate the influence of networking skills on firm's ability to achieve a sustainable competitive advantage.

1.4.2 To investigate the impact of product innovation on firm's ability to achieve a sustainable competitive advantage.

1.4.3 To investigate the impact of process innovation on firm's ability to achieve a sustainable competitive advantage.

1.5 Significance of the Study

Based on the specific objectives outlined above, this research is important due to the following reasons;

1.5.1 Microsoft WECA Leadership Team

They will be able to identify their internal strengths and capabilities, which will eventually enable the organization to stay ahead of the competition through competitive advantage.

1.5.2 Microsoft Employees

Microsoft employees will be able to get insights on how they can actively contribute to the organization's innovative process by applying the three key discovery skills.

1.5.3 Researchers and Research Based Institutions

Based on the findings of this study will also be significant to other researchers, to help them build new knowledge on this topic of study for continuous improvement and understanding of employee innovation.

1.5.4 Microsoft Senior Leadership

This study will also be of strategic importance to Microsoft's Leadership Team. Recommendations of the study may guide the company's direction towards employee innovation initiatives.

1.6 Scope of the Study

The study was conducted in Microsoft located in Kenya. Target population was 100 employees and it comprised of senior leadership team, middle level management and contingent staff. Data was collected using questionnaires and the sample size was 84 respondents. The limitation of the study was lack of enough time to distribute the questionnaire and also not able to get more respondents to participate. The study was carried out from January to July 2018.

1.7 Definition of Terms

1.7.1 Process Innovation

Process innovation is the implementation of new or improved production or delivery method that includes changes in techniques, equipment and software (Omachonu and Einspruch, 2010).

1.7.2 Product Innovation

Product innovation is the introduction of a good or service that is new or significantly improved regarding its characteristics or intended uses (Organisation for Economic Co-operation and Development (OECD) 2005).

1.7.3 Sustainable Competitive Advantage

Sustainable competitive advantage is the process of taking offensive or defensive action to create a defensible position in an industry, to cope successfully with competitive forces and generate a superior return on investment (Porter, 1985).

1.7.4 Networking

Nieman and Nieuwenhuizen (2009) defines networking as pattern, valuable, associations formed between individuals, groups or businesses that are used to access critical economic resources needed to start and manage a business.

1.8 Chapter Summary

This chapter entails the introduction of the research study. It describes the background of the study, and highlights some of the scholarly articles that have been published in relation to the topic of the study – Employee Innovation. The chapter also presents the problem statement and discusses the existing problem in the current digital world. Consequently, the chapter has outlined the general objective of the study and three specific objectives that forms the underlying framework of the study. A justification of the study has also been highlighted, explaining the importance of conducting this research and its application to Microsoft. A scope of the study has also been defined whereby the study focused on a Microsoft subsidiary, West East and central Africa (WECA). Finally, a list of terms relevant to this study have been defined.

Chapter two discussed literature review, as well as theories used to support the research objectives. Chapter three included the methodology used to carry out the research study, including tools for data collection. Chapter four provided the analysis of the results obtained in chapter three. The final chapter, Chapter Five provides detailed conclusions and recommendations.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review based on specific objectives. The first section discussed influence of networking skills on firm's ability to achieve a sustainable competitive advantage, the second section explore the influence of product innovation on firm's ability to achieve a sustainable competitive advantage and the third section covered influence of process innovation on firm's ability to achieve a sustainable competitive advantage.

2.2 Influence of Networking Skills on a Firm's Sustainable Competitive Advantage

2.2.1 Sustainable Competitive Advantage

Sustainable competitive advantage is the ability of firm to have unique strategies, organizational capital and capabilities that cannot be copied by their competitor (Toshev and Takala, 2010). Competitive advantage focuses on three key characteristic of customer relationship outcomes. These are consumer contentment, customer retention, and sales growth (Daft, 2011). Stevenson (2009) asserts that one of the competitive advantage's objectives is to retain and maintain customers, giving the best and when customers are satisfied with the quality offered by management, it will enhance the organization's performance.

Njuguna (2012) investigated competitive strategies adopted by Safaricom Kenya Limited to tackle competition. It was revealed that Safaricom Kenya Limited uses product choice, differentiation, cost leadership strategy, focus strategy, pricing strategy and market penetration strategy. According to Porter (2001), competitive advantage is the superiority gained by an organization when it provides the same value as its competitors but at a lower price, or can charge higher prices by providing greater value through differentiation. Mukesh, Andy, and Louis (2013) states that strategies created to maintain sustainable competitive advantage should not be easy to copy and should have uniqueness.

Fletcher (2013) posits that a firm is able to create a competitive advantage by determining and applying better and innovative ways to their products and services and ensuring that the market is aware of such acts of innovation. Ross (2008) suggests that competitive advantage belong to organizations that are able to activate existing business processes and

capabilities that merge infrastructures, share risks and costs, reduce time to market, and gain a competitive advantage. Kinyua (2010) examined competitive strategies adopted by small supermarkets in Nairobi. It was revealed that small supermarkets use strategies such as; branding of an outlet to differentiate it from others, the outlets use brand name in order to develop customer loyalty, charge fair prices, provide good customer services, reducing the prices of goods in order to attract customers and improve product quality before selling, convenience and ease of accessibility, increased advertising and staff training.

Musia (2013) investigated factors influencing competitive advantage by East African Breweries Ltd within beer manufacturing sectors in Kenya. It was concluded that implementation of various competitive strategies such as; cost leadership, product differentiation and focus strategy has enabled the company to achieve a competitive advantage, increase its market share, product quality, access to natural resources, access to highly trained and skilled personnel human resources and new technologies, access to cheap labor and lower cost of production. Wambugu (2012) studied factors influencing competitive advantage of firms in the micro finance industry in Kenya. It was concluded that the micro finance industry in Kenya uses competitive strategies such as; marketing strategy, network effects, strong research and development capabilities, cost leadership and redefining customer value.

Competitive advantage occurs when an organization has products or services that are perceived by its target market customers as better than that which is offered by their competitors. Organizations are also able to achieve a competitive advantage by offering customers with products at a lower price or with better features and benefits (Kathuria, Joshi and Porth, 2007). Jaruzelski and Dehoff (2011) indicated that the relationship between an organization's operations and its strategy determines its ability to successfully meet its long-term success and survival. A firm's success can be achieved if they align both short-term and long-term strategies and results to attain competitive advantage.

2.2.2 Networking Skills

Nieman and Nieuwenhuizen (2009) defines networking as a pattern, valuable, associations formed between individuals, groups or businesses that are used to access critical economic resources needed to start and manage a business. Watson (2007) posits that networking is the process of sharing information and resources, reducing cost, social interaction between individuals and organizations. According to Schutjens and Starn (2003) networking is the

collection of business relationship between business and vendor supplies, outsourcing and partners. Grabber (1993) defines networking as a network that is formed by business and related business (suppliers, clients, local government, intermediary organizations.

Machirori (2012) defines networking as the process of sharing information, resources and reduce transaction costs. According to Sawyerr, McGee and Peterson, (2003) networking is an enterprise, or its employees and owners, linking with other individuals or enterprises, sharing contacts, information and exchanging resources with those enterprises which are not under their direct control in a cost effective way. Managerial networks is the process where organizations or managers network with their suppliers, customers and other organizations hence, increasing access to resources and sharing of information. (Ngoc and Nguyen, 2009). Anderson and Reeb (2004) argues that effective networking is vital for organization since it helps overcome financial and human resource limitations that prevent organizations from using new technologies that are required for new product innovations.

Hung (2006) defines business networks as any formal or informal linkage between business enterprises which provides exchanges of knowledge, information and other resources among members. Ferreira, Li, and Serra, (2008) propose that SMEs who are involved in different networks are able to access more information, resources, market access and finance than those that are not engaged in networking activities. Chipika and Wilson (2006) noted that networking is a set of continuous and sustained relationships, which involves collaboration and cooperation which is mutually beneficial to all the parties involved. Parker (2008) asserts that business network is a group of entrepreneurs that voluntary share knowledge and experiences. Networking is the process through which networks are created, developed and leveraged (O'Donnell, 2011).

2.2.3 Networking Skills and Sustainable Competitive Advantage

Timmons (2004) states that through effective creation and management of strategic business networking, companies can use strategic networking as a source of competitive advantage. Njui (2013) investigated strategic business networking as a source of competitive advantage in the motor vehicle industry in Kenya. A cross sectional survey design was used. Target population was 17 players in the motor vehicle industry. Structured questionnaire was used to collect data. Descriptive statistics was used to analyze data. It was revealed that strategic business networking influences competitive advantage. Thrikawala (2011) studied impact of strategic networks for the success of SMEs in Sri

Lanka.. Findings revealed that strategic networks have a strong impact on success of SMEs in Sri Lanka.

Nardos (2015) conducted a research on networking as a growth initiative for small and medium enterprises in South Africa. Target population was local and foreign SME owners in the Mangaung Metropolitan Municipality. Descriptive quantitative research design was used. Stratified random sampling and snowball sampling methods were used to select respondents. Primary data was collected using self-administered questionnaire. It was established that networking had a positive impact on SME growth. Ngoc and Nguyen (2009) states that networking also helps organizations gain necessary support from key shareholders hence, increase growth. Networks formed with other organizations also influences delivery of product or services and also help organizations achieve economies of scale.

Chege (2013) examined influence of capacity building on financial performance and growth of women owned small and medium enterprises in Gikomba Market; Nairobi County, Kenya. The study used Descriptive survey research design. Target population was women owning Small and Medium Enterprises (SMEs) at Gikomba Market in Nairobi County. Simple random sampling was used to select a sample of 357 respondents. It was revealed that networking skills development strategy influenced performance and growth of women owned SME's to a great extent. Wheelen and Hunger (2002) asserts that through networking, an organization is able to concentrate more on its unique abilities and use it resources to develop unique products and services that they can use to become more competitive in the industry.

2.3 Product Innovation as an Approach to Sustainable Competitive Advantage

2.3.1 Product Innovation

Michael (2014) states that product innovation is the process of transforming products by recombining organizational knowledge to create new products or services. Kanagal (2015) asserts that through product innovation, an organization is able to create new products or services, deal with customers tastes and preferences, short product life cycles, technological advancement therefore, increase its market share and gain a competitive advantage in the industry. Brown and Eisenhardt (1995) product innovation is the use of new ideas to provide a solution to a problem or process. It can be measured through product

development speed, cost and performance delivery (Alegre, Lapiedra and Chiva, 2006). According to Johnson, Whittington and Scholes (2012) product innovation is the process of concentrating on efficiency and effectiveness hence, increase profits and lower costs. In addition, organizations use product innovation strategy to develop sustainable production techniques to introduce new products, improve the existing product range in terms of quality, yield and taste and add value in terms of packaging and ready-to-prepare/eat products.

According to OECD (2005), product innovation is the introduction of a good or service that is new or significantly improved regarding its characteristics or intended use. It includes the significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics. Cooper and Kleinschmidt (1996) posit that products and services can be successful in the market when they have superior qualities and unique features. Porter (2008) asserts to attract new customers and gain competitive advantage, organizations use strategies such as; lower prices, offer products with more or efficient features, better product performance, higher quality stronger brands image, strong product innovation capabilities and appeal and provide customers with custom made products.

According to Kirill (2011) product innovation is the creation of a new product, changing the design of existing products, or using different material or components in the manufacture of goods already in the markets. Consequently, product innovation can be categorized into developing new products, and improving existing services or products. Product innovation is the development of new products, creating new product designs and features (Kotler and Keller, 2009). Product innovations can help an organization to increase their brands or products in the market thus, create a competitive advantage (Rycroft, 2009). Product innovation is the process of improving product design and functionality (Cherroun, 2014).

Silas (2015) conducted a research on innovations and performance of Kenya's Wine Industry. It was revealed that product innovation enabled the companies to provide a wide range of products with satisfactory quality through market survey, adoption of channel that shortens the duration of obtaining a product or service and adoption of product development that is radical, inventive and offer greater rewards. Production

innovation enabled wine companies to produce wine of the desired quality through management of fermentation process and blending.

2.3.2 Product Innovation and Sustainable Competitive Advantage

Auma (2014) examined the role of innovation in building competitive advantage in horticultural processing and export companies in Nairobi Kenya. Findings revealed that product and market innovations have a statistically significant effect on competitive advantage. Mburu (2016) investigated the relationship between innovation strategies and competitive advantage in the logistics firms in Mombasa County, Kenya. The study used cross sectional descriptive survey design. Target population was 876 logistics firms. Purposive sampling was used to select a sample size of 60 respondents. It was revealed that product innovation strategy had a positive and significant effect on competitive advantage.

OECD (2005) asserts that an organization is able to achieve a competitive strategy by differentiating its products or services from its competitors. However, an organization that is struggling will try to innovate to increase its products/services, market share and profits in order to survive in the industry. Mohdhar (2013) conducted a research on innovation as a strategy for developing competitive advantage among food processing firms in Mombasa County, Kenya. It was established that a company is able to achieve a competitive advantage by increasing its product quality and extend its product range.

Karanja (2014) investigated effects of innovation strategies on performance of commercial banks in Kenya. Descriptive research design was used. The study targeted 43 commercial banks in Kenya. Census was also used. It was revealed that innovation strategy influences profitability. The study recommends that commercial banks should embrace the use of innovation strategies, develop product range extension, product replacement, product improvement, product repositioning and new product introduction to enable them to be more productive and increase profit.

Bernard (2016) conducted a research on competitive and comparative advantage: towards a unified theory of international trade. It was discovered that an organization that is able to develop a new product is able to gain a competitive advantage. Kariuki (2017) investigated the effects of innovation strategy in enhancing competitive advantage among commercial banks in Kenya. It was revealed that product innovation has significant impact on employee performance, satisfaction and organizational performance. Chen, Wang, Nevo, Benitez-

Amado, and Kou (2015) states that organizations should continuously seek to develop products that increase their value, and competitiveness in the market place.

Mulusa (2015) noted that product innovation offers organizations with channels and opportunities to develop more revenues. Organizations are able to increase their ability to produce products of high quality hence, become more competitive in the market place. Mohr and Sarin, (2009) postulated that product innovations is a cross functional activity. Organizations that deal with product innovation are able to increase their sales by 68%. Through this, they are able to increase their market share and become more competitive in the industry.

Grundiche (2004) argued that for a firm to compete effectively in the dynamic and competitive business environment and achieve set goals in terms of profitability, high sales volume, and large market share, it must continuously develop products and product lines to satisfy the constantly changing desires and needs of customers. Polder, Leeuwen, Mohnen and Raymond (2010) noted that product innovation influences both economic growth and productivity. Furthermore, successful implementation of innovation will led to new product and service development thus, increase to new markets, business growth and create customer value.

2.3.3 New Product Development

New-product development the ability to build or improve products, and introducing fresh products into the marketplace at a higher quality and low cost (Racela and Thoumrunroje, 2010). New product development (NPD) refers to the practice of inventing, creating and presenting a new product or service to the market for the accomplishment of the firm (Charpawang and Ussahawanitchakit, 2011). A well designed product offers functional and aesthetic benefits to consumers, which could become an important source of differentiation (Kotler and Keller 2011).

Product innovation is the introduction of new product into the market, the design modification of the product or the application of new ingredients in production of conventional products (Zhan, 2016). Martin (2009) states that to be successful in the current market, firms should innovate and discover new ideas so as to design new products and respond to changes that are taking place in the environment. Al-Ansari, Pervan, and Xu, (2013) noted that successful innovation leads to new markets, business growth and

creates customer value. Moreover, innovation improves existing products and processes thus, contributes to higher productivity, lower costs, increased profits and employment

Chan and Ip (2011) asserts that through product development, organizations are able to penetrate in the market and build and retain customer relationship hence, yield profit and gain a competitive advantage in the industry. Haeussler, Patzelt and Zahra (2012) investigated strategic alliances and product development in high technology new firms. The study concluded that new product development is important for new firm's successful performance though they also attest that developing new products is costly and time consuming with at times uncertain outcomes. Coombs (2010) posits that in an organization with sustainable competitive advantage their products uniqueness should stand out from those of their competitors in the eyes of their customers.

Muthoni (2017) investigated effect of innovation on competitive advantage in fast moving consumer goods. A case of Pz Cussons East Africa Ltd. It was revealed that introduction of new product in the market allows an organization to improve the existing product in the market, promoted innovation culture, redesigns their product and provide customer with unique products.

2.4 Impact of Process Innovation as an Approach to Sustainable Competitive Advantage

2.4.1 Process Innovation

Caroline (2008) noted that process innovation provides the means for safeguarding and improving quality and also saving costs. Trott (2012) posits that process innovation is the change and continuous improvement of organizational processes to boost product and service delivery. Moreover, process innovation can also be done through introduction of technology in production process or change in style and techniques of production. According to Bharadwaj, Varadarajan, and Fahy (2015), process innovation increases the use of new technologies in the production processes making it easy and possible for organizations to develop product and services of high quality. Process innovation also ensures that quality standards are met and maintained as a way of staying competitive within the banking industry.

Gunday, Ulusoy, Kilic and Alpkhan (2011) posit that organizations that use process innovation are able to cut production and distributions costs and improve quality features.

Silas (2015) conducted a research on innovations and performance of Kenya's Wine Industry. It was revealed that through process innovation an organization is able to install new machines therefore, minimize production costs and increase the rate of production. In addition, an organization is able to run its operations through process innovation. Through process innovation, the organization is also able to increase effectiveness and efficiency (Rycroft, 2009). Rothaermel (2013) states that process innovation is the development of new processes in the production of products or the improvement of currently existing processes, or the process used by organizations to increase or transfer processes used in the production of goods and services consequently, lowering costs, reducing the time and improving the quality and flexibility

Process innovation is the process of developing new and improved production process through new equipment or reengineering of operational process (Wong and He,2003). In addition, through process innovation, an organization is able to reduce cost and improve flexibility in production. O'Sullivan and Dooley (2009) assert that process innovation is a set of activities designed to transform input into output. Process innovation is the implementation of new or improved production or delivery method that includes changes in techniques, equipment and software (Omachonu and Einspruch, 2010). Process innovation is defined as developing a new or substantially improved production process through new equipment or reengineering of operational process (Wong & He,2003).

Kanter (1997) states that rapid processes innovation can help an organization increase its skills thus, develop new products and service. Process improvement is a strategy that organizations use to adapt to changes that are taking place in the environment and increase effectiveness and efficiency of business process (Harrington, 1996). Sawang, Unsworth and Sorbello (2011) posit that process innovation is the process of reengineering and improving internal operation of business process. It includes research, technical design, manufacturing, management and commercial activates. Frame and White (2004) defines process innovation as new production processes that allow the development of new or existing products and services. Process innovation is usually done to increase efficiency in the production process and it is usually associated with technological change.

2.4.2 Process Innovation and Competitive Advantage

Kabiru and Mohammed (2016) conducted a research on effect of process innovation on organizational performance of deposit money banks in Nigeria. Cross-sectional survey

research was used. Target population was 191 management staff. Questionnaires were used to collect data. The study concluded that process innovation plays a significant effect on organizational performance. Kenfac, Nekoumanesh and Yang (2015) investigated process innovation: impacts on organization's performance. It was established that process innovation has a significant and positive impact on organizational performance in terms of financial and customer service performance.

Koech and Makori (2014) examined the effects of innovation orientation on financial performance of commercial Banks in Kenya. Census sampling was used to collect data from 10 managers, 13 assistant managers and 14 officers. Stratified sampling was used to obtain a sample of 37 respondents. It was concluded that process innovation influences financial performance and cost savings. Sumiyu (2013) researched on effects of innovation strategies on performance of commercial banks in Kenya. The study targeted employees who are working at commercial banks Headquarters. Stratified random sampling was used to select a sample of 387 respondents. It was revealed that process innovations affects performance of commercial banks in Kenya.

Njogu (2014) examined the effect of innovation on the financial performance of the Small and Medium Enterprises in Nairobi County, Kenya. Descriptive research design was used. Target population was 1050 manufacturing SMEs, registered in Nairobi County. Stratified random sampling was used to sample 200 manufacturing small and medium enterprises registered within Nairobi County. It was conclude that process innovation affects financial performance among SMEs in Nairobi County subsequently, SMEs have developed and implemented new business methods and services which have improved productions and delivery of services of most SMEs. In addition, SMEs have applied new technology and new combination of materials in production which have boosted process innovation which in turn has improved the performance of the SMEs.

Omesa (2015) conducted a research on the effect of process innovation on financial performance in utility companies in Kenya: A case study of the Kenya Power and Lighting Company. It was revealed that there was a statistical significant relationship between sales, process innovation and financial performance. According to Greenhalgh and Rogers (2010), through process innovation, an organization is able to increase its profit through low cost of production. An organization can also sell its products or services at a lower

price hence, increase its market share. Mabrouk and Mamoghli (2010) conducted a research on if financial innovation is influenced by financial liberalization? A case of Tunisian banking industry. It was established that process innovation has a positive effect on profitability and efficiency of banks performance.

According to Tidd, Bessant and Pavitt (2007) an innovative process can be divided into two parts inventive and implementation. Inventive is the process where an organization develops new ideas thought or concept and implementation is when an organization implements the new ideas and market them. Adner and Levinthal (2001) noted that process innovation will not change the product but it will lower the production cost. Process innovations also allows an to organization cut on production cost and price thus, increase product attractiveness boosts organizations' abilities to mobilize resources, attain greater innovativeness and gain competitive advantage (Yegon, Gekara and Wanjau, 2014).

2.4.3 Technology and Innovation

Technological innovations can help organizations build competitive advantage by developing more competitive products and services and more effective processes, or creating completely new business (Nyakora, 2017). Tidd and Bessant (2014) assert that technological innovation is the process of turning opportunities into new ideas and putting them into widely used practice. In addition, entrepreneurs attempt to use technological innovation strategy to develop new product or service or perhaps a new process thus, gain strategic competitive advantage. Technological innovation is the process of systems innovation, processes innovation, and innovation of equipment's employed in an organization.

Kihara (2013) conducted a research on innovation strategies adopted by funeral homes in Nairobi County. The study concluded that innovation played a fundamental role in the organization which brings new channel, new process, new market, new technology and new services. Karaba (2012) conducted an analysis of factors influencing competitive advantage in organizations in the financial sector in Kenya: a case of standard chartered Bank Kenya Limited. Findings revealed that technology and product innovation play a vital role in creating competitive advantage in the financial sector.

Azubuike (2013) investigated technological innovation capability and firm's performance in new product development. Findings revealed that there was a positive correlation between technology innovation and firm performance. Koellinger (2008) studied the relationship between technology, innovation, and firm performance: Empirical evidence from e-business in Europe. Findings revealed that process innovation and product innovation influences organizational growth. Daneshvar and Ramesh (2010) conducted a research on review of information technology effect on competitive advantage strategic perspective. It was revealed that firms that use information technology are able to increase innovation, growth, cost reduction, alliance, create differentiated products and increase information processing. Vu (2013) posits that use of Information Communication Technology (ICT) increases firm's efficiency and competitiveness through promoting better communications and customer interaction thus, helping an organization save costs and enhances growth and performance.

Vezzani (2010) conducted a research on the economic impact of technological and organizational innovations. It was revealed that product, process and marketing innovation has a positive influence on firm performance. Al-Khawaldeh and Al-Hunaiti (2008) examined the effect of using information technology on the managerial innovation in the Jordanian Public Institution. It was revealed that the use of technology gives an organization the opportunity to increase its process innovation hence, increase efficiency, and reduce cost and competitive advantage. According to Oke (2011), process innovation is the development of or enhancement in techniques and the growth in process or system through instance, innovation in skill, techniques, technology, system and procedure, which is used in the transformation process of input into output. Njoroge, Muathe, and Bula (2016) investigated the effect of technology on performance of mobile telephone industry in Kenya. The study recommended that mobile telephony firms should invest more in new technologies to address the changes that are needed to improve performance.

2.5 Chapter Summary

This chapter has covered literature review in line with the following research objectives; networking, product innovation and process innovation. The next chapter covered research methodology.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter described how to formulate a research design as well as methodology that was adopted. This has helped achieve the set research objectives of the study. This chapter was organized as follows: research design, population and sampling design, data collection methods, research procedures, data analysis methods and chapter summary.

3.2 Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is also the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. As such, the design includes

an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of the data (Kothari, 2004).

Different kinds of research designs exist. Broadly, they can be categorized based on the type of research being conducted. Research design based on exploratory research studies; research design based on descriptive and diagnostic research studies and research design based on hypothesis testing research studies.

For purposes of this study, descriptive research design was used. Descriptive research is designed to obtain data that describes the characteristics of the topic of interest in the research (Cooper and Schindler, 2001). In this case, our interest was based on employee networking, experimenting and associating skills. This design method helped establish priorities specific to areas under research while also evaluating the challenges of Microsoft sustainable competitive advantage strategies. The choice of this research design was necessary as it gives conclusive results of the three research objectives.

3.3 Population and Sampling Design

3.3.1 Population

All items in any field of inquiry constitute a ‘Universe’ or ‘Population’ (Kothari, 2004). A complete enumeration of all items in the population is known as the census inquiry. In such an inquiry, when all items are covered, no element of chance is left, and highest accuracy is obtained. However, this may not always be the case when it comes to practical situations especially where the population in question is large. Biases also exists in most situations.

In this study, our total population included Microsoft Employees in Eastern Africa territory comprising of 100 full time employees. Due to the size of this population, an appropriate sample size was selected to represent the entire population for purposes of the research. Using a sample was more economical due to both time and financial constraints involved in the study. The sample population of study is represented as follows:

Table 3.1: Population Distribution

Category	Population	Percentage
Senior Leadership team	5	5%
Middle Level Management	35	35%
Contingent Staff	60	65%

Total	100	100%
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Source: Microsoft (Human Resource Department)

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame defines the list of elements from which the sample is drawn (Cooper and Schindler, 2001). The main reason for sampling is to obtain some elements in the given population above, in order to draw conclusions about the entire population (Cooper and Schindler 2001). Main reasons for sampling in this study is to achieve: lower cost of research, greater accuracy of results, greater speed of data collection and availability of population elements.

This frame defined a complete and correct list of population members only. In this study, the sampling frame was a list of Microsoft employees from the Eastern territory. This list was provided by the Human resource manager. From this list, the employees were segmented into three main categories: Senior Leadership, Middle Level Management and Contingent Staff.

3.3.2.2 Sampling Technique

In this study, the research was conducted using stratified random sampling technique. Stratified random sampling involves a process of stratification or segregation, followed by random selection of subjects from each stratum (Sekaran, 2013). Through stratified random sampling, the population will be segregated into three mutually exclusive sub populations or strata (Cooper and Schindler, 2001). The sample therefore include elements from each of the segments. The study segregated employees based on the category of employee within Eastern Africa territory. Simple random sampling was also used to select respondents who participated in the study.

3.3.2.3 Sample Size

Out of the target population of 100 employees, the sample size for this study was determined based on population size. Yamane's formula was used to select sample size

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

Where; n = sample size, N = Study population

e = tolerance at preferred level of confidence, take 0.05 at 95% confidence level.

Therefore, the allowable sample size of Microsoft employees will be given by:

$$n = \frac{100}{1 + 100(0.05^2)}$$

n = 80 employee sample size

Table 3.2:Sample Size

Category	Sample Size	Percentage
Senior Leadership Team	4	5%
Middle Level management	28	35%
Contingent Staff	52	65%
Total	84	100%

3.4 Data Collection Methods

Data collection is the collection of raw and unprocessed information that can be transformed into meaningful information (Christensen, Johnson, Turner, and Christensen, 2011). The primary data was used for analysis in this study and was collected from the sample through questionnaire, which was submitted to respondents online using Microsoft Forms. This method was selected as the most efficient because of the size of the sample representation. Cooper and Schindler (2001) asserts that primary data are raw data that has not been subjected to interpretation of any other party than that of the originator. Mugenda and Mugenda (1999) states that questionnaires are able to give a comprehensive answer to complex problems. It is also used to collect data because it is easy and cost effective. Structured questionnaires were used to collect data. A five-point Likert scale was used where 5- Strongly agree, 4- Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree. The questionnaire was sub divided into four sections. The first section covered demography. The second section contained questions on networking and sustainable competitive

advantage. The third section covered product innovation and competitive advantage and the fourth section covered process innovation and competitive advantage.

3.5 Research Procedures

According to Kothari (2004) a pilot study is the process of testing the weaknesses of the research's questionnaire that may exist. The study conducted a pilot study to determine reliability of the questionnaire. Data was collected from 10 respondents. Findings from the pilot study was included in the questionnaires before using the final copy. Before collecting data, the research obtained a letter from the university that specifies that the research is on for academic purpose. Questionnaires were delivered online. Through this, respondents were able to have enough time to answer the questions. Respondents were assured that the information collected was treated with confidentiality. Mugenda and Mugenda (1999) noted that reliability is the measure of the degree to which a research instrument yields consistent results or data after repeated trials.

3.6 Data Analysis Methods

Data analysis is the process of analyzing, cleaning, transforming displaying data collected (Wagner, Halley and Zaino 2011). The study used descriptive analysis. Zikmund, Babin, Carr and Griffin (2013) states that descriptive analysis is the process where unprocessed data is altered into a manner that makes the data easily understandable and interpretable by rearrangement, ordering, and manipulation of data to produce descriptive facts. Data collected from the field was analyzed using Software Packages for Social Sciences (SPSS) and Microsoft Excel. Frequencies, mean, variances and standard deviations was used to present data. Tables, figures and chart were used for analysis and interpretation of data.

3.7 Chapter Summary

This chapter describes the methodology that was used to carry out the study. Descriptive research design was adopted. The chapter has also reviewed the procedures that the researcher was using during the research process. The population has been described to include Microsoft employees across Eastern Africa cluster, and stratified based on the local subsidiaries within it. A finite sample size was obtained using yamen's formula. In the next chapter, discussed the findings of the study and present the results for analysis.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter has analyzed results and findings based on primary data collected. The chapter has also discussed results based on demographic factors such as; age, gender, position in the organization, duration in the organization, and level of education and based on research objectives.

4.2 Response Rate

The research issued a total of 84 questionnaires were issued and only 41 were filled and returned giving a response rate of 49%. Findings are shown in Table 4.1.

Table 4.1: Response Rate

Variable	Frequency	Percentage
Filled and returned	41	49
Non-response	43	51
Total	84	100

4.3 Demography

4.3.1 Age

The study sought to analyze respondent's age. Finding revealed that 83% of respondents were between 26-35 years, 15% of respondents were between 36-45 years and 2% are between 46-55 years as shown in Figure 4.1.

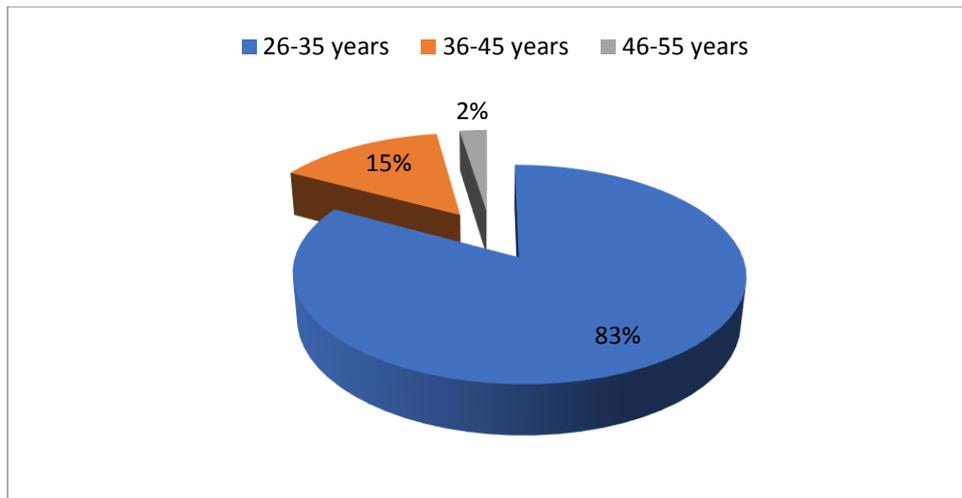


Figure 4.1: Age

4.3.2 Gender

To an analysis gender of respondents, it was established that 66% of respondents were female and 34% were male. This implies that it was easier to reach female respondents than male respondents. Results are shown in Figure 4.2.

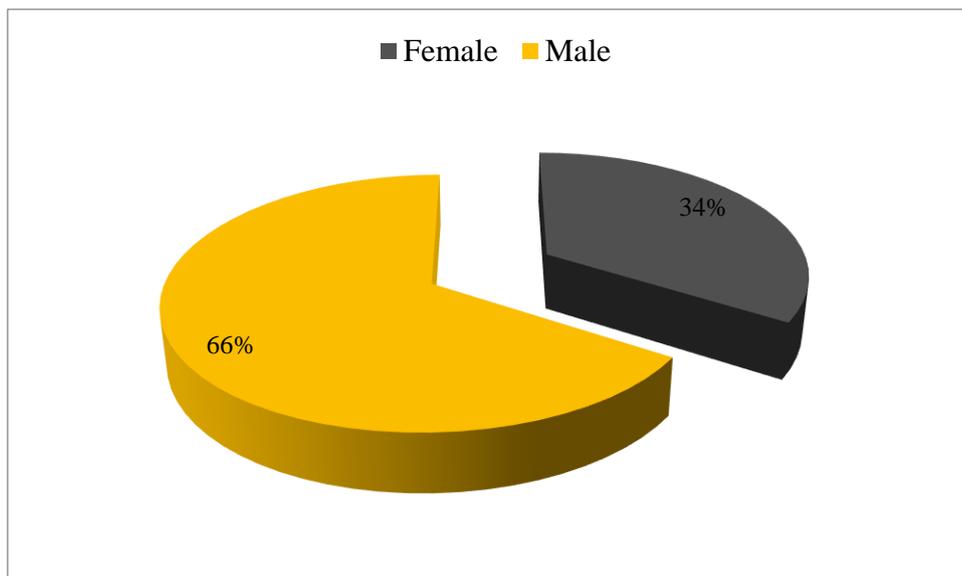


Figure 4.2: Gender

4.3.3 Position in the Organization

To analyze the position respondents hold in the organization, findings revealed that 26 respondents are in the middle level management position representing 64% of the total population, 6 respondents are in the contingent staff position this represents 15% of the total population, 3 respondents are in senior leadership team position representing 8% of the

total population, 2 respondents are in the associate position representing 5% of the total population, 1 respondents is in the individual FTE contributor position representing 2% of the total population, 1 respondents is in the junior staff representing 2% of the total population, 1 respondents is in the senior partner development manager representing 2% of the total population and 1% did not respond representing 2% of the total population. Results are shown in Table 4.2.

Table 4.2: Position in the Organization

Variable	Frequency	Percentage
Associate	2	5
Contingent Staff	6	15
Individual FTE contributor	1	2
Junior Staff	1	2
Middle Level Management	26	64
Senior Leadership team	3	8
Senior Partner Development Manager	1	2
Missing	1	2
Total	41	100

4.3.4 Duration in the Organization

To analyze duration respondents have been in the organization. It was revealed that 35 respondents have been in the organization for less than 5 years. This represents 85% of the total population and 6 respondents have been in the organization for 5- 10 years. This represents 15% of the total population. Results are shown in Table 4.3.

Table 4.3: Duration in the Organization

Variable	Frequency	Percentage
Less Than 5 years	35	85
5-10 years	6	15
11-15 years	0	0
16-20 years	0	0
Over 20 years	0	0
Total	41	100

4.3.5 Highest Level of Education

To analyze the literacy level of respondents, findings showed that 24 respondents have a degree. This represents 59% of the total population, 15 respondents have a master's degree.

This represents 37% of the total population, 1 respondent has a diploma representing 2% of the total population and 1 has a certificate representing 2% of the total population. Results are shown in Figure 4.3.

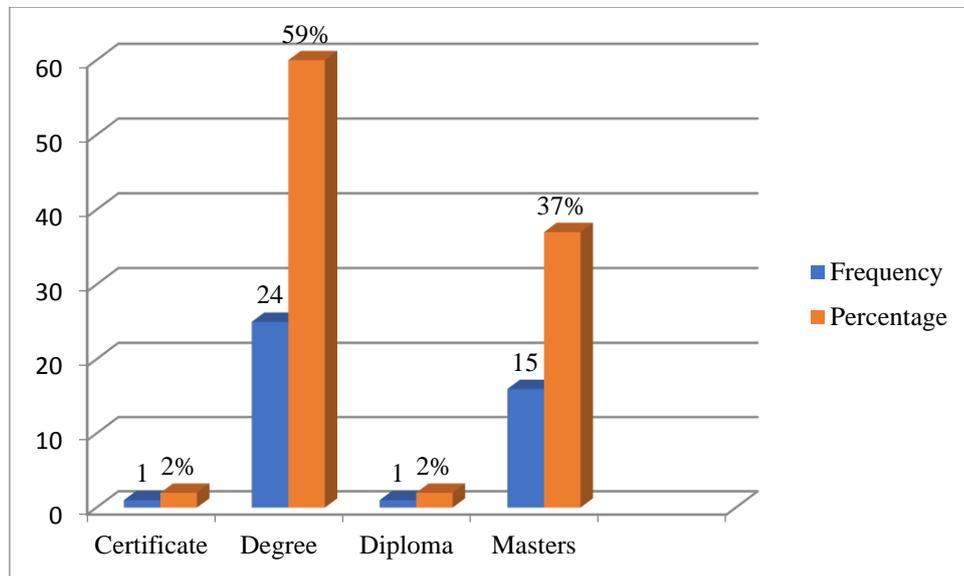


Figure 4.3: Highest Level of Education

4.4 Networking Skills and Sustainable Competitive Advantage

The first objective sought to investigate the influence of networking skills on firm's ability to achieve a sustainable competitive advantage. Respondents were asked to state to what extent they agree or disagree with the statement. A five point Likert scale was used where; 5- Strongly agree, 4- Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree.

4.4.1 Descriptive of Networking Skills

Findings revealed that respondents agreed that the organization offers customer product and services that have unique features and benefits 4.24. However, could not reach an agreement on whether networks has contributed to the firm's innovation process 3.85, networking has helped the organization gain market and finance access 3.83, the organization uses focus strategy 3.80, through networking the organization has been able to share information, resources and reduce cost 3.76, the organization had grown due to networking 3.71, networking has helped the organization achieve economies of scale 3.49, the origination uses networking as a source of competitive advantage 3.48, the organization uses branding as a differentiation strategy 3.45 and the organization has developed strategies that are unique and cannot be copied 3.40 as shown in Table 4.4.

Table 4. 4: Descriptive of Networking Skills

Statement	Mean	SD
My organization has developed strategies that are unique and cannot be copied	3.40	1.081
My organization uses branding as a differentiation strategy	3.45	1.037
My organization offers customer product and services that have unique features and benefits.	4.24	0.86
My organization uses focus strategy.	3.80	0.939
Through networking my organization has been able to share information, resources and reduce cost.	3.76	0.943
Networking has helped my organization gain market and finance access.	3.83	1.01
My origination use networking as a source of competitive advantage	3.48	1.037
Networks has contributed to my firm's innovation process	3.85	0.882
My organization had grown due to networking.	3.71	1.078
Networking has helped my organization achieve economies of scale	3.49	1.003

4.5 Product Innovation and Sustainable Competitive Advantage

The second objective sought to investigate the impact of product innovation on firm's ability to achieve a sustainable competitive advantage. Respondents were asked to state to what extents they agree or disagree with the statement. A five point Likert scale was uses where 5- Strongly agree, 4- Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree.

4.5.1 Descriptive of Product Innovation

The findings showed that respondents agreed that the organization offers product of high quality 4.48, the organization offers a wide range of products and services 4.28, product re-positioning has helped the organization attract more customers 4.13, the organization has increased its efficiency and effectiveness thorough product innovation 4.10, product differentiation strategy is used in the organization 4.10, introduction of new product has created a culture of innovativeness 4.08 and product innovation has increased organizational performance 4.05. However, respondents could not reach an agreement on product innovation has helped the organization to increase its market share 3.98, through process innovation in the organization has been able to create new products or services 3.95, product innovation has increased employee performance, satisfaction and organizational performance 3.78 and development of new products is costly and time consuming 3.69. Results are shown in Table 4.5.

Table 4.5: Descriptive of Product Innovation

Statement	Mean	SD
Through product innovation my organization has been able to create new products or services.	3.95	0.973
Process innovation has helped my organization to increase its market share.	3.98	0.821
My organization has increased its efficiency and effectiveness thorough product innovation.	4.10	0.995
My organization offers a wide range of products and services.	4.28	0.877
Product differentiation strategy is used in the organization.	4.10	0.735
Product re-positioning has helped that organization attract more customers.	4.13	0.822
My organization offers product of high quality.	4.48	0.784
Product innovation has increased employee performance, satisfaction and organizational performance.	3.78	1.084
Product innovation has increased organizational performance.	4.05	0.932
Development of new products is costly and time consuming.	3.69	0.8
Introduction of new product has created a culture of innovativeness.	4.08	0.694

4.6 Process Innovation and Sustainable Competitive Advantage

The third objective sought to investigate the impact of process innovation on firm's ability to achieve a sustainable competitive advantage. Respondents were asked to state to what extent they agree or disagree with the statement. A five point Likert scale was used where 5- Strongly agree, 4- Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree.

4.6.1 Descriptive of Process Innovation

It was established that respondents agreed that through technological innovation the organization is able to become more competitive 4.38, process innovation has made the organization to remain competitive in the industry 4.27, use of technology has given the organization the opportunity to increase its process innovation 4.24, use information technology has helped the organization to reduce cost and increase information processing 4.22, process innovation has increased sales 4.17, the organization has developed and implemented new business methods and services which have improved productions and delivery of services 4.05, the organization develops products and services of high quality due to use of process innovation 4.03. However, respondents could not reach an agreement on whether process innovation has enabled the organization to reduce production cost and time 3.88, production process in the organization is quite effective and efficient 3.88 and process innovation has enabled the organization to cut production and distributions costs 3.85. Results are shown in Table 4.6.

Table 4.6: Descriptive of Process Innovation

Statement	Mean	SD
My organization develops products and services of high quality due to use of process innovation.	4.03	0.832
Process innovation has enabled my organization to cut production and distributions costs.	3.88	0.757
Production process in my organization is quite effective and efficient	3.88	0.883
Process innovation has enabled my organization to reduce production cost and time.	3.85	0.792
Process innovation has made the organization remain competitive in the industry	4.27	0.672
Process innovation has increased sales	4.17	0.704
My organization has developed and implemented new business methods and services which have improved productions and delivery of services	4.05	0.893
Through technological innovation my organization is able to become more competitive	4.38	0.74
Use information technology has helped my organization to reduce cost and increase information processing	4.22	0.759
Use of technology has given my organization the opportunity to increase its process innovation	4.24	0.83

4.7 Descriptive of Sustainable Competitive Advantage

Findings showed that respondents agreed that the organization has superior positioning in the industry 4.32, the organization has increased its market share due to its innovation activities 4.15 and the organizations profitability level has increased 4.00. As shown in Table 4.7.

Table 4.7: Descriptive of Sustainable Competitive Advantage

Statement	Mean	SD
My organization has increased its market share due to its innovation activities	4.15	0.882
My organizations profitability level has increased	4.00	1.00
My organization has superior positioning in the industry	4.32	0.85

4.8 Inferential Statistics

4.8.1 Correlation

The study conducted a Pearson correlation to determine the relationship between variables. Findings revealed that there was a strong and positive significant relationship between

networking skills and sustainable competitive advantage $r=0.545^{**}$, $p<0.000$. It was also revealed that there was a strong and positive significant relationship between product innovation and sustainable competitive advantage $r=0.761^{**}$, $p<0.000$ and also there was a strong and positive significant relationship between process innovation and sustainable competitive advantage $r=0.792^{**}$, $p<0.000$. As shown in Table 4.8.

Table 4.8:Correlation Analysis

Correlations					
		Competitive advantage	Networking skills	Product innovation	Process innovation
Competitive advantage	Pearson Correlation	1	.545**	.761**	.792**
	Sig. (2-tailed)		0.000	0.000	0.000
Networking skills	Pearson Correlation	.545**	1	.628**	.676**
	Sig. (2-tailed)	0.000		0.000	0.000
Product innovation	Pearson Correlation	.761**	.628**	1	.801**
	Sig. (2-tailed)	0.000	0.000		0.000
Process innovation	Pearson Correlation	.792**	.676**	.801**	1
	Sig. (2-tailed)	0.000	0.000	0.000	
**. Correlation is significant at the 0.01 level (2-tailed).					

4.8.2 Regression Analysis

A regression analysis was done to determine the relationship between sustainable competitive advantage and networking skills, product innovation and process innovation. Findings indicated that R^2 value was 0.672, thus, 67% of the variation in strategy implementation was explained by the variation in networking skills, product innovation and process innovation. Results are shown in Table 4.9.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			df1	df2	Sig. F Change
					R Square Change	F Change				
1	.820 ^a	.672	.645	.48854	.672	25.251	3	37	.000	

a. Predictors: (Constant), networking skills, product innovation and process innovation

ANOVA analysis was also done between sustainable competitive advantage and networking skills, product innovation and process innovation. At 95% confidence level, the F critical was 25.251 and the p value was (0.000) as shown in Table 4.10.

Table 4.10: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	18.080	3	6.027	25.251	.000 ^b
Residual	8.831	37	.239		
Total	26.911	40			

A. Dependent Variable: sustainable competitive advantage

B. Predictors: (Constant), networking skills, product innovation and process innovation

Table 4.11: Coefficients of Sustainable Competitive Advantage and Co-Factors

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.743	0.585		-1.27	0.212
	Networking skills	-0.053	0.175	-0.039	-0.302	0.764
	Product innovation	0.517	0.229	0.362	2.256	0.03
	Process innovation	0.734	0.236	0.528	3.113	0.004
a. Dependent Variable: Sustainable Competitive Advantage						

a. Dependent Variable: sustainable competitive advantage

As per Table 4.11, the equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$) becomes:

$$Y = -0.743 + -0.053X_1 + 0.517X_2 + 0.734X_3$$

Where Y is the dependent variable sustainable competitive advantage

X_1 – networking skills

X_2 – product innovation

X_3 – process innovation

Based on regression equation illustrated in Table 4.11, findings indicated that taking all factors into account (networking skills, product innovation and process innovation) all other factors held constant sustainable competitive advantage reduces by -0.743. It was also revealed that with all other variables held at zero, a unit change in networking skills would lead to a -0.053 decrease in sustainable competitive advantage. In addition, it was also revealed that a unit change in product innovation would lead to 0.517 an increase in sustainable competitive advantage and a unit change in process innovation would also lead to 0.734 increases in sustainable competitive advantage. Therefore, based on this equation it was revealed that sustainable competitive advantage is determined by product innovation and process innovation.

4.9 Chapter Summary

This chapter has covered results and findings. The first section has covered demography, second section networking and sustainable competitive advantage, the third section product innovation and sustainable competitive advantage and the third section process innovation and sustainable competitive advantage. The chapter has also done Pearson correlation to determine relationship between independent and dependent variables. Chapter five examined discussion conclusion and recommendation.

CHAPTER FIVE

5.0 DISCUSSION CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter gives an analysis on findings. It has discussed results based on literature review by give a comparison and contrast. The discussion was organized based on research objectives which was used to establish influence of networking skills, product innovation as an approach to sustainable competitive advantage and process innovation on sustainable competitive advantage.

5.2 Summary of the study

The purpose of the study was to determine the effects of innovation and its influence on a firm's sustainable competitive advantage: A case of Microsoft. This study was guided by the following research objectives; to investigate the influence of networking skills on firm's ability to achieve a sustainable competitive advantage, to investigate the impact of process innovation on firm's ability to achieve a sustainable competitive advantage and to investigate the impact of product innovation on firm's ability to achieve a sustainable competitive advantage.

The study used descriptive research design. The target population was 100 employees. It consisted of senior leadership team, middle level management and contingent staff. The study used stratified random sampling and simple random sampling was used to select 84 respondents. Out of 84 only 41 were filled and returned giving a response rate of 49%.

The first objective sought to investigate the influence of networking skills on firm's ability to achieve a sustainable competitive advantage. It was established that respondents agreed that the organization offers customer product and services that have unique features and benefits. However, respondents could not reach an agreement on whether networks has contributed to the firm's innovation process, networking has helped the organization gain market and finance access, the organization uses focus strategy, through networking, the organization has been able to share information, resources and reduce cost, the organization had grown due to networking, networking has helped the organization achieve economies of scale, the origination uses networking as a source of competitive advantage and the organization uses branding as a differentiation strategy and the organization has developed strategies that are unique and cannot be copied.

The second objective investigated the impact of product innovation on firm's ability to achieve a sustainable competitive advantage. It was revealed that respondents agreed that the organization offers product of high quality, the organization offers a wide range of products and services, product re-positioning has helped the organization attract more customers, the organization has increased its efficiency and effectiveness through product innovation, product differentiation strategy is used in the organization, introduction of new product has created a culture of innovativeness and product innovation has increased organizational performance. However, respondents could not reach an agreement on whether process innovation has helped the organization to increase its market share. Through process innovation in the organization, it has been able to create new products and services, product innovation has increased employee performance, satisfaction and organizational performance and development of new products is costly and time consuming.

The third objective investigated the impact of process innovation on firm's ability to achieve a sustainable competitive advantage. Findings indicated that respondents agreed that through technological innovation the organization is able to become more competitive, process innovation has made the organization remain competitive in the industry, use of technology has given the organization the opportunity to increase its process innovation, use information technology has helped the organization to reduce cost and increase information processing, process innovation has increased sales, the organization has developed and implemented new business methods and services which have improved productions and delivery of services, the organization develops products and services of high quality due to use of process innovation. However, respondents could not reach an agreement on whether process innovation has enabled the organization to reduce production cost and time, production process in the organization is quite effective and efficient and process innovation has enabled the organization to cut production and distributions costs.

5.3 Discussion

5.3.1 Networking Skills and Sustainable Competitive Advantage

It was established that the organization offers customers products and services that have unique features and benefits. Similar to this study, according to Kathuria et al (2007), competitive advantage occurs when an organization has products or services that are

perceived by its target market customers as better than that which is offered by their competitors. Organizations are also able to achieve a competitive advantage by offering customers products at a lower price or with better features and benefits. Fletcher (2013) posits that a firm is able to create a competitive advantage by determining and applying better and innovative ways to their products and services and ensuring that the market is aware of such acts of innovation

It was established that respondents could not reach an agreement on whether the organization has developed strategies that are unique and cannot be copied. In contrast, Toshev and Takala (2010) states that sustainable competitive advantage is the ability of firm to have unique strategies, organizational capital and capabilities that cannot be copied by their competitor. Mukesh et al (2013) states that strategies created to maintain sustainable competitive advantage should not be easy to copy and should have uniqueness.

It was revealed that respondents could not reach an agreement on whether networking has helped the organization gain market and finance access. Anderson and Reeb (2004) argues that effective networking is vital for any organization since it helps overcome financial and human resource limitations that prevent organizations from using new technologies that are required for new product innovations. Ferreira et al (2008) propose that SMEs who are involved in different networks are able to access more information, resources, market access and finance than those that are not engaged in networking activities.

The findings showed that respondents could not reach an agreement on whether through networking, the organization has been able to share information, resources and reduce cost. In disagreement Watson (2007) posits that networking is the process of sharing information and resources, reducing cost, social interaction between individuals and organizations. Machirori (2012) defines networking as the process of sharing information, resources and reduce transaction costs. According to Sawyerr et al, (2003) networking is an enterprise, or its employees and owners, linking with other individuals or enterprises, sharing contacts, information and exchanging resources with those enterprises which are not under their direct control in a cost-effective way.

The findings showed that respondents could not reach an agreement on whether networking has helped the organization achieve economies of scale. Nieman and Nieuwenhuizen (2009) defines networking as pattern, valuable, associations formed between individuals,

groups or businesses that are used to access critical economic resources needed to start and manage a business.

The findings indicated that respondents could not reach an agreement on whether the organization uses networking as a source of competitive advantage. However, Timmons (2004) states that through effective creation and management of strategic business networking, companies can use strategic networking as a source of competitive advantage. In addition study done by Njui (2013) revealed that strategic business networking influences competitive advantage.

It was revealed that respondents could not reach an agreement on whether the organization had grown due to networking. Ngoc and Nguyen (2009) states that networking also helps organizations gain necessary support from key shareholders hence, increase growth. Chege, (2013) in his study, It was revealed that networking skills development strategy influenced performance and growth of women owned SME's to a great extent.

The findings revealed that respondents could not reach an agreement on whether the organization uses branding as a differentiation strategy. According to a study done by Kinyua (2010), It was revealed that small supermarkets uses strategies such as; branding of an outlet to differentiates it from others, the outlets use brand name in order to develop customer loyalty, charge fair prices, provide good customer services, reducing the prices of goods in order to attract customers and improve product quality before selling, convenience and ease of accessibility, increased advertising and staff training.

5.3.2 Product Innovation and Sustainable Competitive Advantage

The findings revealed that respondents agreed that the organization has increased its efficiency and effectiveness through product innovation. In line with this, according to Johnson et al, (2012) product innovation is the process of concentrating on efficiency and effectiveness hence, increase profits and lower costs. In addition, organizations use product innovation strategy to develop sustainable production techniques to introduce new products, improve the existing product range in terms of quality, yield and taste and add value in terms of packaging and ready-to-prepare/eat products.

The findings showed that respondents agreed that the organization offers products of high quality. Similar to this statement, Cooper and Kleinschmidt (1996) posit that products and services can be successful in the market when they have superior qualities and unique

features. Porters (2008) asserts to attract new customers and gain competitive advantage, organizations use strategies such as; lower prices, offer products with more or efficient features, better product performance, higher quality stronger brand image, strong product innovation capabilities and appeal and provide customers with custom made products.

It was revealed that respondents agreed that the organization offers a wide range of products and services. According to Rycroft (2009) product innovations can help an organization to increase their brands or products in the market thus, create a competitive advantage. Silas (2015) in his study, It was revealed that product innovation enabled the companies to provide a wide range of products with satisfactory quality through market survey, adoption of channel that shortens the duration of obtaining a product or service and adoption of product development that is radical, inventive and offer greater rewards.

It was established that respondents agreed that product differentiation strategy is used in the organization. OECD (2005) asserts that an organization is able to achieve a competitive strategy by differentiating its products or services from its competitors. However, an organization that is struggling will try to innovate to increase its products/services, market share and profits in order to survive in the industry.

The findings indicated that respondents agreed that product innovation has increased organizational performance. According to a study done by Bernard (2016), it was revealed that product innovation has significant impact on employee performance, satisfaction and organizational performance. Mulusa (2015) noted that product innovation offers organizations with channels and opportunities to develop more revenues. Organizations are able to increase their ability to produce products of high quality hence, become more competitive in the market place. Polder et al (2010) noted that product innovation influences both economic growth and productivity.

The findings showed that respondents agreed that introduction of new product has created a culture of innovativeness. Muthoni (2017) in his study, it was revealed that introduction of new product in the market allows an organization to improve the existing product in the market, promoted innovation culture, redesigns their product and provide customer with unique products.

The findings showed that respondents could not reach an agreement on whether product innovation has helped the organization to increase its market share. Chen et al (2015) state that organizations should continuously seek to develop products that increase their value,

and competitiveness in the market place. Grundiche (2004) argued that for a firm to compete effectively in the dynamic and competitive business environment and achieve set goals in terms of profitability, high sales volume, and large market share, it must continuously develop products and product lines to satisfy the constantly changing desires and needs of customers.

The findings revealed that respondents could not reach an agreement on whether product innovation in the organization has been able to create new products or services. Charpavang and Ussahawanitchakit (2011) state that new product development (NPD) refers to the practice of inventing, creating and presenting a new product or service to the market for the accomplishment of the firm. Product innovation is the introduction of a new product into the market, the design modification of the product or the application of new ingredients in production of conventional products (Zhan, 2016).

The findings showed that respondents could not reach an agreement on whether development of new products is costly and time consuming. Haeussler et al (2012) in their study, it was concluded that new product development is important for new firm's successful performance though they also attest that developing new products is costly and time consuming with at times uncertain outcomes.

5.3.3 Process Innovation and Sustainable Competitive Advantage

The findings indicated that respondents agreed that process innovation has made the organization remain competitive in the industry. This is in line with studies done by Kabiru and Mohammed (2016), Koech and Makori (2014) and Sumiyu (2013) which revealed that process innovation plays a significant effect on organizational performance in terms of financial and customer service performance.

The findings showed that through technological innovation the organization is able to become more competitive. According to studies done by Karaba (2012), Azubuike (2013), Koellinger (2008) and Vezzani (2010) was established there was a positive correlation between technology innovation and firm performance. In addition, it influences organization growth. Njogu (2014) in his study it was revealed that SMEs have applied new technology and new combination of materials in production which have boosted process innovation which in turn has improved the performance of the SMEs.

The findings revealed that respondents agreed that use information technology has helped the organization to reduce cost and increase information processing. Ramesh (2010) it was revealed that firms that use information technology are able to increase innovation, growth, cost reduction, alliance, create differentiated products and increase information processing. Vu (2013) posits that use of Information Communication Technology (ICT) increases firm's efficiency and competitiveness through promoting better communications and customer interaction thus, helping an organization save costs and enhances growth and performance.

The study established that process innovation has increased sales. This is in line with a study done by Omesa (2015) which revealed that there was a statistical significant relationship between sales, process innovation and financial performance. According to Greenhalgh and Rogers (2010), through process innovation, an organization is able to increase its profit through low cost of production. An organization can also sell its products or services at a lower price hence, increase its market share.

The findings indicated that respondents agreed that the organization has developed and implemented new business methods and services which have improved production and delivery of services. This statement is similar to a study done by Njogu (2014) which revealed that SMEs have developed and implemented new business methods and services which have improved production and delivery of services of most SMEs.

It was revealed that respondents could not reach an agreement on whether process innovation has enabled the organization to cut production and distribution costs and whether process innovation has enabled the organization to reduce production cost and time. Gunday et al (2011) posit that organizations that use process innovation are able to cut production and distribution costs and improve quality features. Silas (2015) in his study, it was revealed that through process innovation an organization is able to install new machines therefore, minimize production costs and increase the rate of production. In addition, an organization is able to run its operations through process innovation.

The findings established that respondents could not reach an agreement on production process in my organization is quite effective and efficient. Rycroft (2009) states that through process innovation, the organization is also able to increase effectiveness and efficiency. Process improvement is a strategy that organizations use to adapt to changes

that are taking place in the environment and increase effectiveness and efficiency of business process (Harrington, 1995). Frame and White (2004) asserts that process innovation is usually done to increase efficiency in the production process and it is usually associated with technological change.

5.4 Conclusion

5.4.1 Networking Skills and Sustainable Competitive Advantage

Microsoft offers customers products and services that have unique features and benefits. Networking has not helped the organization increase its innovation process, gain market and finance access, share information, resources and reduce cost, achieve economies of scale and achieve a competitive advantage.

5.4.2 Product Innovation and Sustainable Competitive Advantage

Through product innovation the organization was able to provide a wide range of products and services, product of high quality, offer differentiated products, culture of innovativeness and increase performance. However, the organization is not able to increase its market share, create new products or services and increased employee performance and satisfaction.

5.4.3 Process Innovation and Sustainable Competitive Advantage

The organization was able to reduce cost and increase information processing, to increase its process innovation, process innovation has also helped the organization remain competitive in the industry and increased sales. The organization has also increased production and service delivery by developing and implementing new business methods and services. However, the organization was not able to reduce cost and become effective and efficient through process innovation.

5.5 Recommendation

5.5.1 Recommendation for Improvement

5.5.1.1 Networking Skills and Sustainable Competitive Advantage

The organization should increase its business network, through this, the organization will be able to link with other businesses, customers and suppliers, exchange resources, share

information, increase its market share, gain financial resources and become cost effective. In addition, through networking, an organization will be able to achieve a sustainable competitive advantage, hence offer consumers value and create customer loyalty.

5.5.1.2 Product Innovation and Sustainable Competitive Advantage

There is a need for the organization to increase its product innovation strategy. The use of process innovation strategy will enable the organization to create new products that have unique features and services, deal with customers' tastes and preferences, short product life cycles, thus, increase market share and gain a competitive advantage in the industry.

5.5.1.3 Process Innovation and Sustainable Competitive Advantage

The study recommends that the organization should develop process innovation strategies that will enable them minimize production costs, increase the rate of production, increase effectiveness and efficiency, lowering costs, reducing the time and improving the quality and flexibility, increase effectiveness and efficiency, to adapt to changes that are taking place in the environment and gain competitive advantage

5.5.2 Suggestions for Further Research

The study was only done in Microsoft. Therefore it is recommended that a similar study should be done in other organization to identify effects of innovation and its influence on a firm's sustainable competitive advantage. Through this, researchers will be able to identify other factors that affect a firm's sustainable competitive advantage.

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APPENDIX I: QUESTIONNAIRE

EMPLOYEE INNOVATION AND ITS INFLUENCE ON A FIRM'S SUSTAINABLE COMPETITIVE ADVANTAGE: A CASE OF A MICROSOFT

Section A: Demography

Please tick (✓) where appropriate

1. Age

Less than 25 years () 26 – 35 years () 36 – 45 years () 46 – 55 years ()

Over 55 years ()

2. Gender

Male () Female ()

3. Position in the organization

Senior Leadership team () Middle Level Management () Contingent Staff ()

4. Duration in the organization,

Less than 5 years () 5 – 10 years () 11 – 15 years () 16 – 20 years ()

Over 20 years ()

5. Highest education level

Certificate () Diploma () Degree () Masters () PhD ()

SECTION B: Networking Skills and Sustainable Competitive Advantage

Please indicate your opinion as per the level of disagreement or agreement with the outline statement using 1 to 5 scale guideline. 5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree.

	NETWORKING SKILLS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organization has developed strategies that are unique and cannot be copied.					

2	My organization uses branding as a differentiation strategy.					
3	My organization offers customer product and services that have unique features and benefits.					
4	My organization uses focus strategy.					
5	Through networking my organization has been able to share information, resources and reduce cost.					
6	Networking has helped my organization gain market and finance access.					
7	My origination use networking as a source of competitive advantage.					
8	Networks has contributed to my firm's innovation process.					
9	My organization had grown due to networking.					
10	Networking has helped my organization achieve economies of scale.					

SECTION C: Product Innovation and Sustainable Competitive Advantage

Please indicate your opinion as per the level of disagreement or agreement with the outline statement using 1 to 5 scale guideline. 5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree

	PRODUCT INNOVATION	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Through product innovation my organization has been able to create new products or services.					
2	Procuress innovation has helped my organization to increase its market share.					
3	My organization has increased its efficiency and effectiveness thorough product innovation.					
4	My organization offers a wide range of products and services.					
5	Product differentiation strategy is used in the organization					

6	Product repositioning has helped that organization attract more customers					
7	My organization offers product of high quality					
8	Product innovation has increased employee performance, satisfaction and organizational performance					
9	Product innovation has increased organizational performance					
10	Development of new products is costly and time consuming					
11	Introduction of new product has created s culture of innovativeness.					

SECTION D: Process Innovation and Sustainable Competitive Advantage

Please indicate your opinion as per the level of disagreement or agreement with the outline statement using 1 to 5 scale guideline. 5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree.

	PROCESS INNOVATION	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organization develops products and services of high quality due to use of process innovation.					
2	Process innovation has enabled my organization to cut production and distributions costs.					
3	Production process in my organization is quite effective and efficient					
4	Process innovation has enabled my organization to reduce production cost and time.					
5	Process innovation has made the organization remain competitive in the industry					
6	Process innovation has increased sales					
7	My organization has developed and implemented new business methods and services which have improved productions and delivery of services of most					

8	Through technological innovation my organizations is able to become more competitive					
9	Use information technology has helped my organization to reduce cost and increase information processing.					
10	Use of technology has given my organization the opportunity to increase its process innovation					

SECTION E: Competitive Advantage

Please indicate your opinion as per the level of disagreement or agreement with the outline statement using 1 to 5 scale guideline. 5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree.

	COMPETITIVE ADVANTAGE	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organization has increased its market share due to its innovation activities					
2	My organizations profitability level has increased					
3	My organization has superior positioning in the industry					

THANK YOU FOR YOUR PARTICIPATION