EFFECTS OF INNOVATION CAPABILITIES ON PERFORMANCE IN THE KENYAN OUTDOOR ADVERTISING INDUSTRY: A CASE OF MAGNATE VENTURES LIMITED

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UNITED STATES INTERNATIONAL UNIVERSITY

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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 in Nairobi for academic credit.

Signed: ___________________ Date: ___________________

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Supervisors Declaration

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

Signed: ___________________ Date: ___________________

Prof. Zachary Mosoti

Signed: ___________________ Date: ___________________

Dean, Chandaria School of Business
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DEDICATION

I dedicate this research project to Magnate Ventures Limited for their continued support during my study and in preparation of this research project.
ACKNOWLEDGEMENT

I acknowledge the presence of God the Almighty in my life for giving me the strength and wisdom to have been able to prepare for the execution of this research project. My sincere gratitude goes to my supervisor Prof. Zachary Mosoti for his guidance, advice and effective timely response at each stage in the preparation of this research project. I also wish to acknowledge Mr Stanley Kinyanjui and Mr Robert Kinyanjui for their support and guidance. Thank you for your inspiration.
ABSTRACT

This research aimed at determining the effects of innovation capabilities on performance in the Kenyan outdoor advertising industry a case of Magnate Ventures Limited. The specific objectives were to establish the types of innovation capabilities employed by Magnate Ventures Limited, to determine the challenges in implementation of innovation capabilities in Magnate Ventures Limited and to establish the effect of innovation capabilities on performance in Magnate Ventures Limited.

The study adopted a descriptive research design. The target population was limited to the 84 formal employees at Magnate Ventures Limited who were from the senior level, middle level and lower level management and a stratified sampling technique was used to obtain a sample of 42 employees. The study used closed questions to gather primary data. The researcher selected a pilot group of 8 employees for the validity of the research instrument. Analysis was done quantitatively by use of descriptive and inferential statistics in form of linear regression model to study the relationship between the variables.

It was noted that product innovation provides the most significant means for generating revenue, enhances the competitiveness of the company, enhance cost savings in the organization and improvement of products that lead to long term business growth and performance. Further process innovation is an enabler of product innovation, plays a role on the decrease unit costs of production and enhances the quality of the products and improves the organization’s performance. Market innovation plays a crucial role in fulfilling market needs, addressing the customer needs, maintaining a competitive advantage and plays a crucial role in responding to market opportunities hence increasing the firm’s sales.

On the challenges in implementation of innovation capabilities it was deduced that management resistance to change and new ideas had a negative effect on implementation of innovation capabilities. Leadership challenges, resource availability, lack of sufficient technological resource and sufficient human resources for implementation of innovation capabilities were also major challenges.

It was established that innovation capabilities had improved the competitiveness of organization through improvement in the human resources, market research and talent
nurturing. Further innovations help shape consumers attitudes towards company’s product and lead to customer satisfaction in organisations. Innovation capability lead to increase in market share, profitability, revenue and reduction in cost. There was a strong positive correlation coefficient between performance in the Kenyan outdoor advertising firms and the three independent variables and regression analysis showed an increase in the 3 variables would result to a positive increase on performance in the Kenyan outdoor advertising firms.

The study concluded that product, process and market innovations enhanced cost savings, adopting innovation to products either as services or goods of the organization provided a unique value and benefits for consumers, gain market share and instill competitive advantage over competitors. Leadership is one of the key drivers of effective implementation of innovation strategy, lack of visionary leadership in organizations has a negative effect on implementation of innovation, the top managers at magnate ventures limited demonstrates their willingness to give energy in implementation of innovation capabilities. Innovation capability led to improved competitiveness of the organization, customer satisfaction profitability of organisations. Further the study concluded that the market share in the organization had increased over the last five years.

It was recommended that firms should continually adopt a culture of product innovation, process and market innovation which should involve employees and other stakeholders since when these innovations are implemented there will be generating revenue, improving in product’s quality and cost savings. The management of firms should encourage workers to convert their ideas into reality, since without the right resources, even the best ideas tend to fail. Firms should also invest their time in the creative nourishment of the workers and providing learning opportunities, this is based on the notion that innovation is achieved when an organization demonstrate to its workers a path that leads to creativity. Organizations should facilitate innovation by providing the appropriate resources in terms of financial and human resource to ensure that innovations are implemented. Top management need to encourage employees to share their opinion and be part of every creative process in the business.
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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA: Analysis of Variance
ICT: Information, Communication and Technology
OECD: Organisation for Economic Co-operation and Development
PPP: Primary Product Innovation
R&D: Research and Development
ROA: Return on Asset
RPI: Reputation in Product Innovation
SMEs: Small and Medium Enterprises
SPSS: Statistical Package for the Social Sciences
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The capability to innovate is one of the top priorities of an enterprise's management in enhancing sustainability and promoting superior performance (Jonash & Sommerlatte, 2009). The innovation capabilities of a given company acquired over a given period influences significantly its performance. Majority of the organization measures their performance in terms of financial and non-financial indicators (Tangen, 2015). According to Essmann and du Preez (2009) an organization develops innovation capabilities in organizational support, knowledge and competence, and innovation process respectively. This implies that innovation capability maturity in any given organization is a process commencing with management’s support in creating a conducive environment for innovative activities, then recruitment of the right people with the required knowledge and competence to finally carry out the innovation process (Jonash & Sommerlatte, 2009).

Innovation is said to be the use of internally or externally developed programs, systems, services, devices, policies, processes or products that are newly introduced to the firm (Damanpour & Gopalakrishnan, 2011). The concept of innovation involves the use of a new idea to enhance the performance of a firm. At its core, the term innovation captures the newness of an idea that attempts to enhance the productivity of the firm (Schroeder, 2013). Thus, this is a concept that allows organizations to grow by increasing their market share, entering new markets and by providing the firm with a sustainable competitive advantage. Therefore innovativeness provides the firm with an indispensable strategy that can be used to increase the productivity of the firm, increase the levels of customer satisfaction, gain increased market share in the industry and in the end have a sustainable competitive advantage that is hard to replicate (Kogut & Zander, 2012).

Innovation refers to the ability of a firm to change the knowledge available to it to new products, ideas, systems, processes for the benefit of the organization and those involved (Lawson & Samson, 2001). Therefore, they are unique integrated tangible and intangible resources that a firm develops to improve its performance. Ettlie and Reza (2012) that
highlights a firm's capability in the process of innovation; information along with competence; and also, organizational support. The capability in the innovation process is a complete innovation lifestyle which includes the practices, actions, as well as activities which take either ideas or opportunities through to concepts, growth, and execution and ultimately to a point of commercialization and action. Hence, it includes constant improvement and optimization (Essmann & du Preez, 2009). The process is composed of elements such as exploration capability; portfolio management; exploitation capability; and, risk management (Essmann & du Preez, 2009).

According to Daft (2010) the performance of an organization can be referred to as its capacity to meet its objectives using the resources available to it. These resources must be used both efficiently and effectively while at the same time being managed well. The firm should also keep on successfully adapting to the changes in its external environment while successfully fulfilling its goals and objectives (Hult, Hurley & Knight, 2014). Performance measures are largely described as two dimensional. One dimension involves the meeting of the performance objectives which is often depicted market and financial measures such as market share, profitability and capacity building. The second measure is the judgmental or the subjective measure which is depicted in form of employees and customer measures such as customer satisfaction, quality of service and employee satisfaction (Agarwal, Erramilli & Dev, 2013).

Innovation is one of the best ways businesses can gain a competitive edge and adapt to the dynamic business environment. It is obvious that some of the notable business challenges is coming up with enterprises whose innovation is systematic and dynamic (Hamel, 2013). If such organization is to be sustainable then they need to be innovative. This process can also be said to be changes that transform the organization in small phases that in the end lead to a big change in the business operations (Damanpur, 2011).

According to Damanpour (2011) the relationship strength between innovation and firm performance can be determined by measuring the performance aspect of the firm. When we refer to innovation in economics, we are referring to patent products, processes and technologies that are creative and new which also improve the firm performance (Hagedoorn & Cloodt, 2013). Oke (2007) states that one of the most popularly used measure of performance when it comes to the innovation and performance relationship is sales turnover
that have occurred due to the new innovation. Since it is hard to link other measures such as return on assets and return on equity to innovation, it is hard to use them (Oke, 2007).

The resources and capabilities that are specific to the firm allow the firm to gain more market share in the industry (Spanos & Lioukas, 2001). The dynamic capabilities framework, however, tries to explain that it is possible for competencies to be built and that when these competencies are coupled with firm resources, they help the firm achieve a sustainable competitive advantage in a dynamic business environment (Teece, 2010). The strategic capabilities framework therefore tries to give an explanation as to why some organizations are able to do well in the same environment while others fail miserably (Arend & Bromiley, 2009).

Every business needs to possess a certain level of strategic firm capability if it is to succeed in an ever-changing environment. The capability that such organizations needs will depend on the opportunities and threats the firm is exposed to in the industry both now and in the future (Cohen & Levinthal, 2016).

Research indicates that firms that are able to sustain their competitive advantages are those that have embraced innovation (Hamel, 2006). There are firms that have had successful innovations but others have not had such luck. If a firm is to have an innovative campaign that is both a success and sustainable, then it must have unique innovative competencies. These might be in form of resources or skills that the organization has which gives it an edge over its competitors. However, it is important to note that not all the organization resources or competencies can give it an edge over its competitors (Plessis, 2013).

A study done by Deloitte Research (2014) showed that there is a big difference when it comes to firm’s actual and intentional innovation competencies. The study recommends that organizations that want to reduce the effect of this difference should try to come up with unique capabilities that will help the firm grow. Similarly, there have been published research (2005-2013) that has looked at the factors that can be said to determine innovative capabilities. The studies helped in eliminating failure and providing confidence and this confidence leads to positive expectations of results (Levinthal & March, 1993). There is no direct value that a firm gain from technical innovation but this innovation leads to changes in the firm’s utilities, processes and functionalities. If the firm’s customers or operations are positively impacted by the change then the firm gains value (Maryam, 2015).
Saunila, Pekkola and Ukko (2014) looked at the association between innovation capability and the performance of SMEs. This study also examined factors that influenced this association. The researchers further categorized innovation capability into seven categories that had unique considerations. According to the outcome’s performance measurement did affect the association between innovation and the organization performance. Saunila, Pekkola and Ukko (2014) did other studies such as the effect of the total innovation capabilities on the organization operational and financial performance. According to the findings, aspects of the innovation capabilities affected financial performance to a larger extent compared to the effect on operational performance. Another research looked at the role played by innovation capability on the performance of the organization in an attempt to show the aspects of innovation capabilities that affected organization performance (Saunila, Pekkola & Ukko, 2014).

Magnate Ventures Ltd started in 1996 and its operations were underway by 1997. It acquired one of Kenya’s Neon and General Signs Company referred to as Kenya Neon and General Signs to become a renowned company in the signage and image industry. Since it started its operations, the firm has continually grown and has expended to other regions and it also offers other products. Some of the locations where the company has branches include Tanzania, Uganda, South Sudan and Rwanda. The firm is ISO 9001-2008 certified and it provides quality products and services to its customers and offers quality management systems. It is the first outdoor company in this part of Africa to be certified. Its quality management systems certification is proof that the firm has the required quality management systems in place to allow the firm meet its customer expectations while providing quality goods and services while ensuring that the right management processes are followed (Magnate Ventures, 2017).

1.2 Statement of the Problem

Innovation’ capabilities are the main determinants of firms’ performance and they are important in providing and sustaining their competitive advantage (Guan, 2013). NIPO Research Institute (2014) did a research that showed that 20% of global workers are faced with structural losses due to lack of innovativeness. Most companies found in developing nations do not have innovative capabilities and their R&D departments and sectors are the least used in these economies. Innovativeness in many of these organizations is also derailed by
challenges that are both internal and external that hampers the development of the needed skills to foster innovativeness. Research done in this area indicates that innovation is important in influencing an organizations growth and competitiveness (Han, Kim & Srivastava, 2016). Thus, it is no wonder that innovation is seen as a catalyst when it comes to fostering competiveness, growth, rise in profits, performance and the sustainability of firms (Han, Kim & Srivastava, 2016).

Studies have been done on innovation, but there are minimal studies done on the effect of innovation capabilities on performance especially in the outdoor advertising industry. Maryam (2015) looked at the association between organizational innovation capability and firm performance of Irish SMEs. The study explained that there were two essential aspects of innovation capability including leadership management and innovation process which directly and positively impact an organization operational and financial performance. Jayani and Yan (2018) looked at the association between innovation capability, innovation type, and firm performance. According to the outcome when innovative capabilities are well managed the results of innovation elicits a better performance to the benefit of the insurance firms.

Locally, Karanja (2014) focused on the effects of innovation strategies on performance of commercial banks in Kenya and concluded that innovation strategies are indispensable to bank’s future growth and sustainability. Okwach (2017) carried a study on innovation capability and performance of deposit taking saccos in Nairobi County and noted that innovation capability (Innovation process, knowledge and Competence, and organization support) had a significant influence on performance. None of the above studies has focused on advertising companies; thus, this study seeks to fill the gap by focusing on the effects of innovation capabilities on performance in the Kenyan outdoor advertising industry a case of Magnate Ventures Limited with the independent variables being product innovation capability, process innovation capability and market innovation capability.

1.3 General Objective

The general objective of the study was to establish the effects of innovation capabilities on performance in the Kenyan outdoor advertising industry a case of Magnate Ventures Limited.
1.4 Objectives of the Study

The study was guided by the following research objectives:

1.4.1 To establish the types of innovation capabilities employed by Magnate Ventures Limited.

1.4.2 To determine the challenges in implementation of innovation capabilities in Magnate Ventures Limited.

1.4.3 To establish the effect of innovation capabilities on performance in Magnate Ventures Limited.

1.5 Significance of the Study

1.5.1 Magnate Ventures Limited

The study was of great importance to the management and employees especially in the operational department at Magnate Ventures Limited as they knew the effect of implementation of effects of innovation capabilities on performance. The study helped the management develop and implement innovation strategies and encourage its employees adapt and implement the innovations for the benefit of employees.

1.5.2 Policy Makers

The study finding enlightened the policy makers on the anticipated impact of innovation capabilities on performance of organizations; this helped them in planning suitable approach for innovative advancements channel in firms in Kenya, as one of the key drivers of development in Kenya is data innovation and advancements. Through the discoveries of the study, the policy makers in Kenya were able to appreciate which innovation strategies helped organisations develop.

1.5.3 Other Outdoor Advertising Firms

The study was of importance to other outdoor advertising firms who wished to enhance their competitiveness and performance through adoption of various strategies. Through the adoption and success of the available strategies at Magnate Ventures Limited other firms were able to benchmark so as to enhance their performance.
1.5.4 Operational Managers

The finding of the study was of great significance to the operational managers of different firms in Kenya as they understood the effects of innovation capabilities on performance in the Kenyan. This helped them in making choice on the right innovation capabilities to put in place so as to enhance the performance of their companies and thus enable their firms to be competitive.

1.5.5 Future Scholars and Academicians

This research was of great help to academicians and scholars who wanted to look further into the topic of study since it was the best base to providing the information, they needed for their studies on innovation capabilities. The outcomes of this study was an addition to the already existing body of knowledge on the impact of innovation capabilities on performance in the Kenyan outdoor advertising industry.

1.6 Scope of the Study

The study aimed at establishing the effects of innovation capabilities on performance in the Kenyan outdoor advertising industry. The target population was limited to the 84 formal employees at Magnate Ventures Limited who were of different levels of management. The study was partial in terms of coverage as it only covered one geographical location which was Nairobi. The study was conducted from June to November 2018.

There were a number of limitations in the study; the participants that were sought to provide the needed data for the research did not do so because of the fear that if they gave this data it would be used against them. The researcher mitigated this effect by assuring them that the data they gave would be treated with utmost confidentiality. Other respondents flatly refused to fill in the research instrument. This problem was mitigated by the researcher providing an introduction letter to the respondents which he had obtained from his institution of study showing that the data gathered was meant for academic purposes and would be treated with utmost confidentiality. The study also encountered challenges when it came to provision of the data needed since in some cases feelings attitudes, perceptions and emotions took the better of the respondents making it hard to quantify such information. However, the researcher made some of the questions that elicited such reactions more objective.
1.7 Definition of Terms

1.7.1 Innovation

This is the use of new internal and external developed policies, programs, services, products, processes, devices and systems for the growth of the organization (Damanpour & Gopalakrishnan, 2011).

1.7.2 Capability

It is a competence or a skill that an organization possesses that enables it to perform activities (Ludwig & Pemberton, 2011).

1.7.3 Innovation Capability

Innovation capability is the ability of an organization to change knowledge on the firm into processes, systems and products that can spur the growth of the firm (Lawson & Samson, 2001).

1.7.4 Technological Innovation

Technological innovation encompasses an enhancement to something that already present. In the 20th century, innovations in semiconductor technology amplified the performance and diminished the cost of electronic supplies and strategies by a factor of a million, an accomplishment unmatched in the antiquity of any technology (Dang, 1911).

1.7.5 Performance

Performance is well-defined as the results of effort exerted since it is the most significance link to the organization objectives, customer satisfaction and overall economic contributions (Hernando & Nieto, 2013.)

1.7.6 Strategy

This is deciding on the organization long term goals and the actions that will be taken together with the resources that will be used to achieve these goals (Arthur, 2012).
1.7.7 Strategic Innovations

It is the creation and reviving of an organisation’s operations by taking up new competencies, markets and business processes of the organisation (Davila & Robert, 2006).

1.7.8 Organizational Performance

This includes the results of an association as compared to its intended outputs (Armstrong, 2010). This was the effectiveness and efficiency of the organisation to help it achieve the desired outputs as a result of strategy implementation.

1.8 Chapter Summary

This chapter provides a focus on the background of the study, the problem statement, the purpose of the study, the research objectives, the significance of the study, the scope of the study and the definition of terms. In the next chapter, the effects of innovation capabilities on performance of outdoor advertising industry was identified. Thereafter the research methodology that was adopted in chapter three was established. Chapter four addressed the results and findings of the study and in chapter five summary, discussion, conclusion and recommendations of the study were made.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The following chapter reviewed effects of innovation capabilities on performance in the Kenyan outdoor advertising industry a case of Magnate Ventures Limited. The specific objectives were then covered which were to establish the types of innovation capabilities employed by Magnate Ventures Limited, the challenges in implementation of innovation capabilities in Magnate Ventures Limited and the effect of innovation capabilities on performance in Magnate Ventures Limited.

2.2 Types of Innovation Capabilities Employed

According to information that is available on innovation, this is the most significant source of any organization’s success and sustainability (Abbing, 2010) especially in today’s dynamic and complex business environment. However, little research has been conducted on innovation in the service industry. Compared to the banking sector, there is little research on this topic when it comes to the insurance sector. Companies in the service sector are often seen as different as one service firm often find it hard to replicate the strategies used in the other service firm when it comes to providing their services or enhancing their operations.

For instance, differences exist when it comes to the nature of a service and the means and way of interaction between the organization and the clients (Johne & Storey, 2012). A dynamic means of business operations which can lead to modern and flexible operations (Kasuni, 2016) that brings changes in the operations of insurance firms and enhances the risk assessment through changes in policies or in new classification of the already existing risks and also in primary product innovation (PPP) can be said to be a new product suitable for new risks which is made up of new branches for the insurance firm in such a means that is comfortable for the employer and the railway accident insurance that is part of the accident insurance branch (Pratali, 2013).
2.2.1 Product Innovation Capability

A product innovation capability is the use of a new product that is also improved in terms of its traits and use such as having notable improved materials, components, technical specifications, user friendliness, software among other notable traits (Morone & Testa, 2014). Morone and Testa (2014) noted that product innovation is the use of a new and enhanced product or service that is an improvement in the currently offered product.

Camison and Lopez (2010) points out that product innovation does not only enhance the products quality but also reduces cost. Further, it ensures the organization competitiveness is improved and its market presence is felt. Constantly improved products are very important for organizations that are seeking continuous growth and enhanced performance (Bayus, Erickson & Jacobson, 2013). Product innovation has been used frequently by new organizations entering different markets as it allows them to attract different customers very fast and meet their unique needs (Hult et al., 2014). Further, organizations that want to get hold of a bigger market share use this strategy since it attracts different customers that have unique needs (Oke et al., 2017).

Some enabling factors of product innovation have been identified in literature. Marketing orientation, defined as the firm’s culture that allows for the creation of the needed behavior to allow for value creation for buyers and the constant increased performance of an organization is said to positively affect innovation as it boosts innovation (Cano, Carrillat & Jaramillo, 2014). Market orientation also provides critical information to firms that cope with stiff international competition. It assures business executives that the strategies they put in place will maintain or even boost their rank among other insurance firms in terms of competition. Organizational culture, that can be in the form of ideas, beliefs and values that are shared by organization employees is seen as a factor that helps in enhancing product innovation, a firm that encourages its members to continually seek for a culture of product innovation and continually develop unique and innovative products is likely to continue improving its performance (Bakar & Ahmad, 2015).

As noted by Simpson, Siguaw and Enz (2016) product innovation is one of the most unique ways of improving a business profit. It is also a sure means of enhancing product quality and reducing costs. Enhanced and new products are good for sustainability of business operations. The power that product innovation has when it comes to business growth and sustainability
cannot be denied. It is important that organization keep on updating and improving their products if they are to gain new markets and keep their customers interested.

2.2.2 Process Innovation Capability

The innovation of a process capability is characterized by the use of a new of significantly enhanced delivery or production means of a process that is characterized by notable changes in equipment, techniques and/or software (OECD, 2015). Process innovation is sought to reduce expenditure, enhance the mode of delivery of goods and services and enhance the quality of the product (Oke, Burke & Myers). According to O'brien (2013), process innovation leads to improved quality and the reengineering of the business process. Although the type of innovation discussed is often hard to understand, research in this area has made its understanding easier. When mastery is grown over time on productivity gains, there is a high likelihood that products can be developed that result to similar performance at a reduced cost. Such reduction in cost may be passed on to the customer which eventually will increase sales volumes and influence performance positively.

In today’s business world that is characterized by stiff competition organization do not rely on product innovation alone (Oke, Burke & Myers). They also use process innovation to allow for improved service delivery, provide improved changes in processes and reduce costs. This kind of innovation has to happen in a professional manner where vision is created, new processes are designed while having an understanding of the already existing process. Equally, process innovation is a new approach of improving the organization’s performance through incremental improvements rather than radical changes (O'brien, 2013). In most cases, the process innovation perspective embraces the top-down approach as well as the employee-based models. Top-down models have always been noted to be the mainstay of breakthrough innovation. Similarly, employee participation secures the employee commitment thereby, improving their performance (Rao, 2015).

Similarly, it is strategically crucial to state that process innovation allows for product innovation. That is, if product innovation is to take place, process innovation can enhance its achievement. The process innovation vision must be closely tied to the organizational goals and objectives. A tight connection between the organizational strategy and the process vision makes process innovation a primary vehicle for strategy implementation. Strategy
implementation becomes an important source of competitive differentiation, hence, making organizations that are successful at process innovation successful in the market (Danneels, 2012). Viewing the organization from a resource-based perspective, the organization’s capability is seen as critically achieving the competitive strategy. Process innovation directly affects three success dimensions. These are market performance, financial and customer performance thus it enables competitive advantage and improved overall performance of the firm (Barney & Clark, 2017).

2.2.3 Process Innovation Capability

According to OECD (2015) market innovation capability id the use of a new marketing method that leads to changes in the product packaging, design, promotion, pricing or placement. The aim of market innovation is to meet customer needs, positioning an organization product in the market or conquering new markets all for increased revenue for the firm (Gunday et al., 2011). Market innovations are done in relation to product packaging designs, pricing strategies, product placement, and promotional activities by use of the four marketing P’s (Kotler, 1991).

One of the most recognized facilitator of market innovation is information technology (Govindarajan & Ramamurti, 2011). Firms have been shown to use market innovation to gather important customer data that helps to serve their customers better. Some of the notable ways that technology has helped in market innovation include the use of internet marketing. This has led to increase in online ads, online stores and the use of online to communicate on delivery for products and services. Technology has increased the reach of customers for firms, reduced costs for firms while increasing sales (Rosli & Sidek, 2013).

Kim and Jon (2014) note that market innovation has to do with market selection and market mix in a bid to meet the customer needs. Organizations should continually improve their marketing, mix since today technology has allowed for businesses to easily reach their customers. Kim and Jon (2014) further note that market innovation helps firms meet their customer’s needs and take advantage of growing market opportunities. It is therefore necessary for any market innovation efforts to be directed in meeting the customer’s needs and satisfying them.
Despite its obvious importance to business, market innovation has received inadequate attention in literature. Few articles have been written concerning market innovation yet quite a number have been written on the attributes of market innovation, including product package design properties, pricing strategies, promotional activities and product placement and (Chen, 2016). Superior pricing strategies and promotional activities are noted in literature as key factors that drive effective market dynamics, whereas product package design properties and product placement are regarded in literature as softer but important aspects to marketing. These attributes all affect firm performance positively. Intense market innovation ensures survival of businesses in an environment of fast changing market and technological advances. Management of firms therefore needs to invest in market innovation to maintain a competitive advantage against other firms. Further, an effective market innovation not only enables a firm secure new business, but also safeguards their already existing business (Barney & Clark, 2017).

2.3 Challenges in Implementation of Innovation Capabilities

Innovation might be disruptive, radical or incremental but it is important for the new and improved process, products or services to be accepted as a new means of doing business. There are different hurdles for the different types of innovation. However, innovations that are more disruptive and radical are likely to face more hurdles when it comes to their use and acceptance (Oke, Burke & Myers, 2017). Karani (2013) explains that the implementation of a strategy involves the creation of a means by which a firm is going to successfully pursue a given strategy. it is therefore necessary for a firm to consider the factors that impact on the implementation of a strategy such as ensuring that the firm structure and the firm culture is in support of the strategy implementation.

The firm should also consider people features such as human values, free decision making and responsibility. Changes are bound to occur if the firm chooses new strategies. However, the firm will be successful in such environments if they use their strengths and weaknesses wisely. Adaptation strategies are due to dynamics in the way of operations of a firm and are met through three means. First a firm may choose to change if it reorganizes its former routines in a new way or replicates the routines of another firm or if it comes up with new routines from its own discovery. These three ways allow a firm to deal with changes in its business
environment. According to the adaptation view adaptation strategies lead to a decline in the firm’s mortality. Adaptive systems that seem as complex will have unique characteristics such as the continual production of "novel activity patterns" which allow them to be flexible and great systems when it comes to adaptation (Wernerfelt, 2015).

2.3.1 Leadership Challenges

Leadership is known as an essential ingredient when it comes to successful implementation of a strategy. It is also true that if there is no effective leadership more so from the top management of a firm, strategy implementation is likely to fail. The definition of leadership is the ability of a leader to envision and anticipate challenges and the ability of the leader being flexible to these challenges while empowering others to strategically adapt in accordance to their challenges (Pearce & Robinson, 2015). Leadership helps firms adapt successfully to change and it is characterized by managing using others (Pearce & Robinson, 2015).

Leadership accommodates and uses both the internal and external business factors and to process complex information for the success of the firm. Some of the known leadership actions that positively affect strategy implementation include emphasis on ethical practices, coming up with a strategic direction, maintaining a supportive firm culture, effective use of the firm resources and coming up with useful firm controls. The top leadership should be willing to support the strategy implementation efforts. Their commitment and support is a clear sign to others that they lead that it is prudent to support the process (Chen, 2016).

To increase the probability of the implementation process being a success, the top leadership should not assume that the low level managers have the same view as them when it comes to the strategy implementation, its rational and urgency (Chapman, 2014). According to Chapman (2014) the leadership of the firm should be the means by which other employees get direction on how the implementation is going to take place. The management should seek to convince their subordinates on the need for the implementation process. If the implementation process is to be a success, there needs to be effective leadership since it is easier through this for all involved parties to participate for the success if the implementation process. The leadership should be conducted in a rational manner and the right leadership styles should be used to bring the team together for the achievement of the common goal (Chapman, 2014).
Njeru (2012) attempted to establish challenges facing innovation strategy implementation at Equity Bank of Kenya. The research that was a case study used interview guides to obtain data and the analysis was done with the help of content analysis. It was noted that management resistance to change and new ideas, lack of visionary leadership together with poor leadership skills and knowledge were challenges facing the organization. Some of these leadership skills were found to be due to a lack of proper training and this could be remedied through the process of training of those in the management positions. The respondents noted that the direction that senior leadership take gave the other staff the lead to follow. The bank was observed to be following the top down leadership style and with innovation process, such an approach affects the contribution of the lower cadre of staff who will feel that they were not involved at any given level and so were reluctant to support it frilly. In addition, the respondents noted that the key leaders sometimes delay the signing off of some innovations.

2.3.2 Resources Challenges

Strategy should be regarded as an organization element that should be allocated enough resources. Most of the times, strategy implementation fails because of failure in its activities, capabilities and processes. For proper resource allocation to occur there is need to be effective leadership skills and unique skills that allows for attention to detail, breakdown of complexities to understandable parts and communication in an open and understood manner to the firm’s stakeholders. If the implementation of the strategy is to be a success there is need for proper design, development, acquisition and use of resources that are given for the implementation process (Chapman, 2014).

There should be adequate funds and time that support the implementation of the strategy. Resources do not only mean financial but also time from the employees and a clear explanation of the costs that might come if there are overruns by the suppliers (Olsen, 2015). Proper and equitable resource allocation is necessary if the use of the strategy is to be done in a proper manner. The resources include financial, physical, human, and technological resource. The budgetary resources should be marched with departmental operations. For any firm to implement its strategic plans it must be willing to allocate enough resources to this process. There should be links between the use of resources and the operations of the strategy.
implementation at the department levels if the strategy implementation process is to go as desired (Birnbaum, 2016).

Njeru (2012) attempted to establish challenges facing innovation strategy implementation at Equity Bank of Kenya. The research that was a case study used interview guides to obtain data and the analysis was done with the help of content analysis. It was noted that Equity bank faced few resource constraints in the process of innovating, the respondents indicated that financial constraints were not a major factor. However, there was need to allow staff to try out new things without fear of retribution if things don't work out as planned. These called for programs that enabled staff to make calculated risks if working on something new that is considered innovative. They were not adequate resources for a proper innovation strategy as there was need for investment behind innovations.

### 2.3.3 Organization Learning Intensity Challenges

Organizational learning intensity is a stage that is higher when it comes to innovation and quality improvement and it represents the long term intended platform for firm’s success. Once a firm attains this future state then innovation and quality is achievable. Innovative quality has traits from "creativity" and "quality". Creativity definition is different in regard to the various domains but the most widely used definition comes from the psychological view (Birnbaum, 2016). Kazmi (2012) definition of creativity is the use of mitigation and possibilities to come up with new connections and results that interact successfully with people, ideas and the environment. Creativity is often a process and not the result. This process that seeks to achieve given results involves the use of a person’s emotions, behaviors and cognitive abilities to come up with desired results which are significant, useful, relevant and original ideas, procedures or products (Pavitt, 2016).

Creative quality is therefore based on a firm’s competencies and results to valuable innovation for the firm. This process of creative quality focuses on the customer and makes use of given firm values that are strategic and unique to an organization rather than the use of methods and tools. Innovation that results to value addition such as creative quality focuses on the consumer and is related to the buyer value. The emphasis of the process is on both innovation and value. If value is not accompanied by innovation, it only focuses on the incremental benefit to the buyer. When innovation is not accompanied by value, it may be technology driven or highly
strategic. Value innovation is therefore a change and move by the firm that is characterized by an emphasis on creative quality (Hrebiniak, 2015).

Njeru (2012) attempted to establish challenges facing innovation strategy implementation at Equity Bank of Kenya. The research that was a case study used interview guides to obtain data and the analysis was done with the help of content analysis. It was noted that competition is a factor that helps in making the decision on the activities the organization is going to use to achieve improved performance in terms of proper implementation, cohesive culture and innovation. Further it was pointed out that knowledge is adaptable; and has been used to inform adaptations based on changes in business environment. This however needs to be enhanced by focusing on basing adaptations to the local market as compared to other markets that do not necessarily represent similar market dynamics.

2.4 Effect of Innovation Capabilities on Performance

Mensah (2015) looked at the impact innovative capabilities had on the performance of Ghanaian UT bank. This study that was descriptive in nature concluded that there was good performance when it came to some of the innovative capability aspects of the bank. The aspects where the bank did well included market innovation, product innovation, process innovation and organizational innovation. According to the findings marketing, product and process innovations moderately affected the performance of the bank. Organizational innovation had a weak impact on the bank’s performance. The recommendation was that banks should seek to come up with products that are valuable to the customers. The financial organizations should also empower their customer care representatives to be more customers focused in a bid to gain insights from customers on the best innovative products to come up with.

Karanja (2014) studied the effects of innovation capability on performance of commercial banks in Kenya. The study adopted descriptive research design for it portrays an accurate profile of situations. The study revealed that the commercial banks in Kenya had employed value creation by enhancing their availability of resources, customer satisfaction, pricing and retention and entry in other markets through market innovation. Financial institutions through the use of marketing innovations had used environmental analysis, responded to market changes and used aggressive anti-competitive marketing strategies. The results indicated that
the use of innovative strategies had a great effect on the success and the profitability of the Kenya commercial banks. The conclusion of this research was that innovativeness was indispensable to banks survival and development. Further, another conclusion was that if the financial organizations was to increase its profitability, there was need for them to take up innovativeness, extend their product lines, replace some of the products. Improve and reposition their products while introducing new products.

Wazovi (2013) focused on the effectiveness of financial innovation capability on the financial performance of commercial banks in Kenya. The study adopted a cross-sectional descriptive survey research design. It was established that process innovation had a positive significant effect on the financial performance for the banks while product innovation and the proportion of net profit set aside for financial innovation had a negative impact on the financial performance of the commercial banks. The findings from the discriminant analysis revealed that the return on net assets was the most important in classifying commercial banks that have been effective in financial innovation against those commercial banks that have been less effective in financial innovation. This implies that the return on net assets had the greatest discriminating power out of all the discriminating variables used in the analysis.

2.4.1 Effect of Innovation Capability on Competitiveness of Organisations

Competition in the business environment leads to innovativeness meaning that organizations have to use the resources at their disposal and come up with products which are of high quality to outdo their competition. The six Schumpeterian perspectives (Hrebiniak, 2015) relating to innovation and market power competition negatively affects competition and technological innovation. According to this view, a monopolistic organization is able to come up with more innovative capabilities if there are not many competitors or competitive risk since the low pressures allow the organization to provide their R&D departments with the resources, they need to be innovative. Hrebiniak (2015) pointed out that an association exists between productivity growth and product market competition which formed the basis for his Darwinian effect base theory. Therefore, it is important for innovation to be adapted for organization’s that can successfully survive competition pressures.

Olsen, (2015) studied application of dynamic capability approaches in commercial banks in Malaysia. A census cross-sectional survey was adopted and primary data which was collected
through a questionnaire. The study found out customer demands, market trends, company mission and vision as the main factors affecting the application of dynamic capability approaches at the commercial banks. Knowledge management and the emphasis on research and development activities had major impact on firms’ performance as dynamic capabilities approaches. From the results, the research recommended that since Malaysian commercial banks had successfully used dynamic capabilities it was important for them to focus on the effect of globalization and expansion strategy on their competitive advantage. This would allow the banks to fully use dynamic capabilities to their advantage. The study also recommends that commercial banks adhere to the financial strategies that can help them succeed.

Muhura (2012) looked at organizational capabilities as a means of competitive advantage for Airtel Ghana. The researcher used a case study design when seeking to achieve the research objectives. According to the outcome the company organizational capabilities that allowed it to gain a competitive advantage was physical infrastructure, human resource, technology, strong brand, distribution network, talent nurturing, market research, innovation and manpower development. The participants in this research noted that the firm had mechanisms to ensure confidentiality through an agreement with its partners and employees on firewalls on information technology, strict policy on the organization assets and bonding policy on the training of employees. The organizations weekly and monthly audits and reviews helped it review its performance based on different departments and organizations in the same sector.

Mathenge (2013) examined the impact of innovation on competitive advantage of Kenyan telecommunication companies. The research collected data through the use of structured and unstructured questionnaires and also used secondary data from secondary sources. The results revealed that the country’s telecommunications firms had growth due to financial innovations that allowed them to be very competitive in the sector of ICT (Information, Communication and Technology); the financial innovations had a positive impact on the company’s competitiveness in the field of telecommunication; different companies in this field used financial innovation differently and had different goals which gave them a competitive edge. The main goal of financial innovation a deduced from the research was evaluation of the firm’s processes. The aspects of financial innovation were stated as service, product and process
innovation. The aspect that was shown to have the greatest positive impact on the firm’s performance was process innovation.

2.4.2 Effect of Innovation Capability on Customer Satisfaction in Organisations

In today’s dynamic global markets companies compete for customers especially in the technology driven businesses. This is why organizations should be aware of their competencies and the position their products hold in the market compared to that of their rival’s product before introducing any product to the market. Reputation is based on past relationships that the organization had with its customers, partners and products and also on its past performance. Thus, reputation in product innovation (RPI) is based on consumers’ expectations of the innovativeness of the product and their experiences with the firm. However, RPI helps in stimulating information which leads the organization to come up with quality products, change their prices to premium, do away with market entry barriers and change the attitudes of the customers towards the firm products (Hrebiniak, 2015).

The consumers are therefore persuaded to continue buying the company’s products due to the past experiences they have had with the firm’s other products. The study indicated that uniqueness; reliability, technical functionalities, and superiority of the product were some of the factors that they relied on to be satisfied by the product. The extent of the consumer satisfaction is based on the experience they will have with the product. Therefore, product performance was concluded to be related to product satisfaction levels of the customer. Product satisfaction also allows the firm to know if the product is performing well in the market. It also relates to customers repurchase decision and price changes of the product (Pavitt, 2016).

Martha (2016) looked at the impact of service innovation practices on customer satisfaction in the commercial banking sector in Nigeria. The research tool was a semi-structured questionnaire that was completed by respondents who were the customers of the studied banks. The results showed that innovation levels were different among the different banks. Service innovation was provided in three aspects including innovative service products, innovative means of designing and production of services and innovation in service organization. Increased service innovation by the banks led to higher customer satisfaction levels. The research conclusion was that innovation does affect the extent of customer satisfaction.
Kiarie (2014) studied technological innovation and customer satisfaction in Kenya Power and Lighting Company Limited. Data was collected using structured questionnaire and analyzed using descriptive statistics. The responses of the customers were likely to be influenced by the prevailing conditions such as availability of power in general and reliability of M-pesa services that are provided by mobile providers during the time of collecting the data. These conditions may have resulted in biasness on the part of some respondents. The study recommended to the organization to carry out an awareness campaign where all information pertaining to technological innovations implemented was disseminated to the customers as well as increasing investment in the technology improvement so as to offer more innovation.

Kihiu (2017) studied the effect of perceived corporate innovation on customer satisfaction with mobile banking application at Chase Bank, Kenya. The study employed both inferential and descriptive statistics in gathering, analyzing, interpreting and presenting the findings. The results of the study showed that mobile banking application was clear and easy to use and understand. Balance inquiry, cash deposit and account statement were found to be the frequently used mfukoni application services. Findings from the study also revealed that usage of different range of mfukoni services have got a positive and significant effect on the customer’s level of satisfaction. Improved efficiency of different mfukoni services increases the level of customer satisfaction. Therefore, in order to increase the customer’s level of satisfaction, banks need to ensure mobile bank application interface is clear and easy to use, implement mobile banking application that is efficient in carrying out transaction and finally banks management need to initiate programs that ensure accuracy of transactions.

2.4.3 Effect of Innovation Capability on Profitability of Organisations

Bukhamsin (2015) investigated the relationship between organizational innovation capability and firm performance with Irish SMEs. The study that was quantitative in nature analyzed its data using linear regression with the help of SPSS software. According to the findings innovation process and leadership management were two innovative capabilities that directly and positively affected the financial and operational performance of the firms. It is true to say that organizations that take up the two aspects seriously are able to increase their financial and operational performance. Many of the studies done in the past on innovation looked at only a single aspect of innovation capability and failed to look at the relationship between the
different aspects or just looked at a single innovation capability aspect and its association with performance.

Njagi (2016) studied the effect of product innovation capability on the profitability of private manufacturing firms in Nairobi County. Descriptive research design was used and primary data was collected using questionnaire. The study found a positive and significant correlation between product innovation and ROA. The findings also revealed that the correlation between inflation rate and ROA is negative and significant. Cost of production was also found to be negatively and significantly associated with ROA. The study concluded that product innovation has positive effects on profitability. Hence, recommended that manufacturing companies should invest more on product innovation practices as it improves financial performance and also improve their competitive advantage. The study suggest that further study should be done considering all counties since this study only focused on companies in Nairobi Country hence further study on effects of product innovation on Profitability need to be done in the Country.

Wachira (2013) looked at the impact technological innovation capability had on Kenyan banks financial performance. The census study used a descriptive cross-sectional design and the target population was all the commercial banks in the country. The results indicated that the customer care staffs in these financial organizations were open to technological innovations. The outcome also showed a favorable and significant association between the bank’s profitability performance and the use of different technological innovations such as customer transparent technologies, customer assisted technologies and customer independent technologies. The effect of these variables (customer independent technology, customer assisted technology and customer transparent technology) had a positive relationship with profitability (r=0.7) with 50.8% of the variations in profitability of banks in Kenya being explained by the model. The research emphasized that commercial banks need to invest in technological innovations if they want to be relevant and competitive in the industry.

Wairagu, (2011) studied the relationship between financial innovation capability and profitability of commercial banks in Kenya. The research used primary data in the form of questionnaire and review of secondary data. It was shown that most of the banks had invested in financial innovation to improve their performance and efficiency in providing their services.
Some of the innovations included increased expansion of the banks network, automation, and the use of unique products that served different groups of customers. These innovations allowed the customers to do their banking and other services at the comfort of their homes or offices through their phones and computers due to internet banking.

2.5 Chapter Summary

This chapter reviewed the literature on the three objectives which were the types of innovation capabilities employed by Magnate Ventures Limited, the challenges in implementation of innovation capabilities in Magnate Ventures Limited and the effect of innovation capabilities on performance in Magnate Ventures Limited. The next chapter covered the research methodology that was used, in an attempt to achieve the objectives of the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the research methodology that was used, in an attempt to achieve the objectives of the study which was the effects of innovation capabilities on performance in the Kenyan outdoor advertising industry a case of Magnate Ventures Limited. Attention was focused on research design, population and sample design. It also discussed the data collection method, instruments used and research procedures. It puts across the data analysis method and chapter summary.

3.2 Research Design

The study used a descriptive research design. This kind of design determines how often a phenomenon happens or the association between study variables (Saunders, Lewis & Thornhill, 2009). Therefore, this design is good for the current study since the research collected data by use of descriptions and identify the variable relationships between the variables of study (Saunders, Lewis & Thornhill, 2009). The design helped the researcher get the needed descriptions on the study variables in an effort to answer the study research questions. It was therefore preferred as a means of getting data since it helped explain opinions, attitudes and views of the participants on the impact of innovation capabilities on performance in the Kenyan outdoor advertising industry a case of Magnate Ventures Limited (Kombo & Tromp, 2013).

3.3 Population and Sampling Design

3.3.1 Population

A population is a set of objects or individuals that has some observable common traits that is provided by the sampling criteria in the study (Mugenda & Mugenda, 2008). The target population is the specific population from which data is desired (Kothari & Garg, 2014). The population in this case is homogeneous. Population studies are shown to be very representative
since every member of the population has the same chance to be picked as part of the sample (Mugenda & Mugenda, 2008). This study target population was 84 formal employees at Magnate Ventures Limited who were of different levels of management that are the senior level, middle level and lower level management (Magnate Ventures Limited Human Resource Department).

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level management</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Middle level management</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>Lower level management</td>
<td>51</td>
<td>61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Magnate Ventures Limited Human Resource Department

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

The sampling frame is the source from which the sample is chosen. It is a way through which the target population is drawn (Johnson, Scholes & Whittington, 2008). It lists all the cases of the population from which the sample was chosen (Kombo & Tromp, 2013). Because it is hard for a researcher to access the entire population thus he or she relies on the sampling frame as a representation of the population elements (Kombo & Tromp, 2013). The sampling frame for this study was the employees in the senior level, middle level and lower level management.

3.3.2.2 Sampling Technique

Sampling is used to choose some of the population elements in order to get the needed data of the population. The sample in this case should be a representative of the entire population and the data got should provide adequate knowledge of the whole population to make conclusion on the whole population (Mugenda & Mugenda, 2008). The sampling method is the technique used for the gathering of the population elements and for choosing the representative sample (Kombo & Tromp, 2013). Since the research population is not big, the researcher chose to use the census technique to completely cover the entire population (Kothari, 2006).
3.3.2.3 Sample Size

Mugenda and Mugenda (2008) explain that a sample size is a small group of elements that represents the entire population. The research used a census survey and all 84 management staff at Magnate Ventures Limited were part of this size. Since the target population was small, the researcher chose to use the census survey to ensure every member of the population was included in the sample (Kothari, 2014).

3.4 Data Collection Method

The research instrument used for this study was a questionnaire. Cooper and Schindler (2011) note that primary data is used since it provides truthful and realistic data. Close-ended questions were used so as to ensure the data was in an easy form, could be understood and analysed. Organisational data was also sought in line with the research questions. The researcher used the Likert 5-Point Scale; where 1 was to represent ‘strongly disagree’, 2 was to represent ‘disagree’, 3 was to represent ‘agree’, 4 was to represent ‘strongly agree’ and 5 ‘not applicable’. The questionnaire was divided into 2 sections. The questionnaire starts with seeking demographic data of the participants in the first section.

3.5 Research Procedure

The researcher used networks to convince the participants to respond to the questions. The respondents were also urged to fill the questionnaire with detailed information since their identity would not be revealed and the data they gave would be treated with utmost confidentiality. The researcher further presented an introduction letter from his study institutions to assure the participants that the data they gave would be used for only academic purposes and it would be treated with confidentiality. The researcher used a drop and pick methods to administer the questionnaire.

A pilot test was done prior to the main study to ensure that the research instrument was valid and reliable. 8 employees were chosen as the sample for the pilot test. The pilot study further allowed the researcher to familiarise himself with the research procedure and make changes in the research tool for clarity. The pre-test was followed by the actual data collection. Bryman & Bell (2015) points out that a pre-test study is important since it allows the researcher to
familiarize with the area of study and research procedure and also helps note areas that need to be changed to ensure better results from the main study.

Cronbach’s alpha methodology, which is based on internal consistency was used to test the reliability of the data. Cronbach’s alpha measures the average of measurable items and its correlation. Overall scales’ reliability of the present situation and the desirable situation used tested by Cronbach’s alpha, which should be above the acceptable level of 0.70 which is the acceptable reliability (Bryman & Bell, 2013).

According to Gill and Johnson (2008) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity was employed by this study which is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. The results enabled the study to be familiar with research and its administration procedure as well as identifying items that require modification. The result also helped the study to correct inconsistencies arising from the instruments, which ensured that they measure what is intended.

3.6 Data Analysis

Inferential and descriptive statistics were used to conduct data analysis. The latter was shown in terms of means and standard deviations. A linear regression and correlation analysis were the forms of inferential statistics used. SPSS version 22 was employed to assist in data analysis. The regression equation was very important to determine the effect of the independent variable on the dependent variable. The regression equation used was as below:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \]

Where: \( Y \) = Performance in the Kenyan outdoor advertising industry; \( \beta_0 \) = Constant Term; \( \beta_1 \), \( \beta_2 \) and \( \beta_3 \) = Beta coefficients; \( X_1 \) = Product innovation capability; \( X_2 \) = Process innovation capability; \( X_3 \) = Market innovation capability and \( \varepsilon \) = Error term.

Correlation analysis is used to determine the relationship extent between two variables. The value of the correlation analysis is from 0 to ±1.0. In case the correlation value is 0 there is no relationship between the two variables. In case the value is ±1.0 there is a negative or positive
relationship between the independent and dependent variables. In case the value of $r = \pm 0.1$ to $\pm 0.29$, the association is weak. A medium association is represented by $r = \pm 0.3$ to $\pm 0.49$, a strong association is shown by $r = \pm 0.5$ to $\pm 0.74$ while a value of $r = \pm 0.75$ and higher shows a very strong association (Cooper & Schindler, 2011). To represent the results and compare the data, tables were employed. Tabulations and percentages were also used to show data. According to Cooper and Schindler (2011) percentages allows for simplification of data since the data is reducing to numbers between 0 and 100. Percentages also make the data into simple standard form that can be used to compare with other data.

3.7 Chapter Summary

This chapter has presented the research methodology that was used in analysing the research questions. The study covered the research design, population, sampling design, data collection method, research procedure and finally the data analysis. The next chapter covered research findings and discussions of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 84 respondents from which 76 filled in and returned the questionnaires making a response rate of 90.5%. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70 is over excellence.

4.1.1 Reliability Results

The study sought to determine the reliability of the results which was tested by the use of Cronbach’s alpha.

Table 4.2: Reliability Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Innovation Capability</td>
<td>0.844</td>
</tr>
<tr>
<td>Process Innovation Capability</td>
<td>0.714</td>
</tr>
<tr>
<td>Process Innovation Capability</td>
<td>0.777</td>
</tr>
<tr>
<td>Organization Performance</td>
<td>0.892</td>
</tr>
</tbody>
</table>

A pilot study was conducted to test the reliability and validity of the research instruments and showed that organization performance had the highest reliability of 0.892, followed by product innovation capability with a reliability of 0.844, process innovation capability had a reliability of 0.777 and process innovation capability with a reliability of 0.714. From the findings, the Cronbach’s alpha of all the variables was above the threshold of 0.7 thus implying that the instrument was reliable and valid.
4.2 Background Information

4.2.1 Gender Category

Participants were required to indicate their gender category; this was sought in view of ensuring fair engagement of male and female respondents. The findings on this assessment are presented in table 4.1

<table>
<thead>
<tr>
<th>Table 4.3: Gender Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>49</td>
<td>67.1</td>
</tr>
<tr>
<td>Female</td>
<td>24</td>
<td>32.9</td>
</tr>
<tr>
<td>Total</td>
<td>76</td>
<td>100</td>
</tr>
</tbody>
</table>

The findings revealed that majority of the respondents (67.1%) were males whereas 32.9% of the respondents were females. This implies that this study was dominated by males however the findings also show substantial representation females gender thus implying that the findings of this study did not suffer from gender biasness.
4.2.2 Age Category

Respondents were required to indicate their age group. This was sought in view of capturing opinions held by participants from different age sets.

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29 years</td>
<td>17</td>
<td>23.3</td>
</tr>
<tr>
<td>30-39 years</td>
<td>14</td>
<td>19.2</td>
</tr>
<tr>
<td>40-49 years</td>
<td>29</td>
<td>39.7</td>
</tr>
<tr>
<td>50 years and above</td>
<td>13</td>
<td>17.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The findings show that, most of the respondents (39.7%) were aged between 40 to 49 years, 23.3% of the respondent were aged between 20-29 years, 19.2% of the respondent were aged between 30 to 39 years whereas 17.8% of the respondent were aged above 50 years. This implies that respondents of various age groups were fairly involved in this study.

4.2.3 Highest Level of Education

Respondents were required to indicate their highest educational qualifications, results are presented in table 4.3

<table>
<thead>
<tr>
<th>Highest Level of Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree</td>
<td>43</td>
<td>58.9</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>30</td>
<td>41.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Results in the above table shows that majority of the respondent’s 58.9 (%) held bachelors education level while 41.1% held master’s education level. This implies that all of the respondents were well educated which implies that they were in a position to respond to research questions with ease.
4.2.4 Period of Service with the Current Organization

Participants were further required to indicate the period which they had served the current organization for. Results are table 4.4 below

Table 4.6: Number of Years Worked in The Current Company

<table>
<thead>
<tr>
<th>Period</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 years</td>
<td>14</td>
<td>19.2</td>
</tr>
<tr>
<td>6-10 years</td>
<td>21</td>
<td>28.8</td>
</tr>
<tr>
<td>11-15 years</td>
<td>23</td>
<td>31.5</td>
</tr>
<tr>
<td>Above 15 years</td>
<td>15</td>
<td>20.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The findings presented in the above table shows that, 31.5 % of the respondents had served the current organization for a period of 11 to 15 years, 28.8% of the respondents had served the current organization for a period of 6-10 years, 20.5% of the respondents had served the current organization for more than 15 years whereas 19.2 % of the respondents had served the current organization for a period of 1-5 years. Drawing from the above findings, it’s evident that majority of the respondents had served the organization for a considerable period of time which implies that they were in a position to give credible information based on their vast experience.
4.3 Types of Innovation Capabilities Employed

4.3.1 Product Innovation Capability

Respondents were required to indicate their level of agreement with the following statements relating to product innovation capability.

Table 4.7: Statements Relating to Product Innovation Capability

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organizational has a culture of product innovation</td>
<td>73</td>
<td>3.00</td>
<td>5.00</td>
<td>4.22</td>
<td>0.75</td>
</tr>
<tr>
<td>The employees are actively involved in product innovation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.00</td>
<td>1.03</td>
</tr>
<tr>
<td>Product innovation provides the most significant means for generating revenue in our company</td>
<td>73</td>
<td>4.00</td>
<td>5.00</td>
<td>4.40</td>
<td>0.49</td>
</tr>
<tr>
<td>Product innovations acts as a means of improving product’s quality in our organization</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.60</td>
<td>1.20</td>
</tr>
<tr>
<td>Product innovations enhance cost savings in our organization</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.92</td>
<td>1.08</td>
</tr>
<tr>
<td>Products that are constantly improved are important for long term business growth and performance</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.70</td>
<td>1.09</td>
</tr>
<tr>
<td>Product innovation enhance the competitiveness of a company in the market</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.05</td>
<td>0.90</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents agreed that product innovation provides the most significant means for generating revenue in the company (M = 4.40 SD =0.49) and magnate ventures limited has a culture of product innovation (M = 4.22 SD = 0.75). The findings supported Simpson, Siguaw and Enz (2016) product innovation is one of the most unique ways of improving a business profit. It was noted product innovation enhances the competitiveness of the company in the market (M =4.05 SD =0.90) and that at magnate ventures limited the employees are actively involved in product innovation (M =4.00 SD =1.03). These findings are in line with the study findings by Abbing, (2010) product innovation enabled the company to gain large profit and some sort of market positioning.
Further the study established that product innovations enhance cost savings in the organization (M =3.92 SD =1.08) Simpson, Siguaw and Enz (2016) noted product innovation provides the means of enhancing product quality and reducing costs (M =3.70 SD =1.09). Product innovation is used as a business strategy for any organizations that want to get hold of a bigger market share use this strategy since it attracts different customers that have unique needs (Oke et al., 2017). Finally, product innovations acts as a means of improving product’s quality in the organization (M =3.60 SD =1.20). These findings concur with the study findings by Kasuni, (2016) adopting innovation to products either as services or goods of the organization; to provide unique value and benefits for consumers, gain market share and instill competitive advantage over competitors.

4.3.2 Process Innovation Capability

Respondents were required to indicate their level of agreement with the following statements relating to process innovation capability.

<table>
<thead>
<tr>
<th>Table 4.8: Statements Relating to Process Innovation Capability</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organizational has a culture of product innovation and improvement</td>
<td>73</td>
<td>3.00</td>
<td>5.00</td>
<td>4.25</td>
<td>0.78</td>
</tr>
<tr>
<td>The employees are actively involved in process innovation in our organisation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.05</td>
<td>0.91</td>
</tr>
<tr>
<td>Process innovation plays a role on the decrease unit costs of production in our organisation</td>
<td>73</td>
<td>4.00</td>
<td>5.00</td>
<td>4.41</td>
<td>0.50</td>
</tr>
<tr>
<td>Process innovation enhances the quality of the products in our organisation</td>
<td>73</td>
<td>3.00</td>
<td>5.00</td>
<td>4.22</td>
<td>0.80</td>
</tr>
<tr>
<td>Process innovation improves the organization’s performance</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.90</td>
<td>1.00</td>
</tr>
<tr>
<td>Process innovation is an enabler of product innovation</td>
<td>73</td>
<td>4.00</td>
<td>5.00</td>
<td>4.41</td>
<td>0.50</td>
</tr>
</tbody>
</table>
From the findings, majority of the respondents agreed that process innovation is an enabler of product innovation, process innovation plays a role on the decrease unit costs of production in the organization \((M = 4.41 \text{ SD} = 0.50)\). Process innovation is sought to reduce expenditure, enhance the mode of delivery of goods and services and enhance the quality of the product (Oke, Burke & Myers). It was deduced that process innovation enhances the quality of the products in the organization \((M = 4.22 \text{ SD} = 0.80)\). These findings are line with the study findings by Wazovi (2013) who assets that process innovation directly affects three success dimensions. These are market performance, financial and customer performance thus it enables competitive advantage and improved overall performance of the firm.

The study also established that magnate ventures limited has a culture of product innovation and improvement \((M = 4.25 \text{ SD} = 0.78)\) and the employees of magnate ventures limited are actively involved in process innovation in the organization \((M = 4.05 \text{ SD} = 0.91)\). In most cases, the process innovation perspective embraces top-down models have always been noted to be the mainstay of breakthrough innovation (Wazovi, 2013). Finally, process innovation improves the organization’s performance \((M = 3.90 \text{ SD} = 1.00)\). These findings concur with the study findings by Karanja (2014) that process innovation provides a tight connection between the organizational strategy and the process vision makes process innovation a primary vehicle for strategy implementation.
4.3.3 Market Innovation Capability

Respondents were required to indicate their level of agreement with the following statements relating to market innovation capability.

Table 4.9: Statements Relating to Market Innovation Capability

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organizational has a culture of implementation of new marketing methods</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.07</td>
<td>1.00</td>
</tr>
<tr>
<td>Market innovation helps in addressing the customer needs better</td>
<td>73</td>
<td>3.00</td>
<td>5.00</td>
<td>4.27</td>
<td>0.63</td>
</tr>
<tr>
<td>Market innovation helps in opening up new markets for a company</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.12</td>
<td>0.64</td>
</tr>
<tr>
<td>Market innovation helps in increasing our firm’s sales</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.22</td>
<td>1.00</td>
</tr>
<tr>
<td>Market innovation plays a crucial role in fulfilling market needs</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.34</td>
<td>0.63</td>
</tr>
<tr>
<td>Market innovation plays a crucial role in responding to market opportunities</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.23</td>
<td>0.83</td>
</tr>
<tr>
<td>Market innovation ensures survival of businesses in an environment of fast changing market</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.86</td>
<td>0.92</td>
</tr>
<tr>
<td>Market innovation helps in maintaining a competitive advantage against other firms</td>
<td>73</td>
<td>3.00</td>
<td>5.00</td>
<td>4.26</td>
<td>0.85</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents agreed that market innovation plays a crucial role in fulfilling market needs ($M = 4.34$ SD =0.63) and market innovation helps in addressing the customer needs better ($M = 4.27$ SD =0.63). Market innovation is to meet customer needs, positioning an organization product in the market or conquering new markets all for increased revenue for the firm (Gunday et al., 2011). Market innovation helps in maintaining a competitive advantage against other firms ($M = 4.26$ SD =0.85), market innovation plays a crucial role in responding to market opportunities ($M = 4.23$ SD =0.83) and that market innovation helps in increasing the firm’s sales ($M = 4.22$ SD = 1.00) these are line with the
study findings by Hrebiniak, (2015) on market powers and innovation, competition has positive impacts on innovation and technological progress.

Further the study established that market innovation helps in opening up new markets for a company (M = 4.12 SD =0.64). Rosli and Sidek (2013) noted the use of market innovation technology has increased the reach of customers for firms, reduced costs for firms while increasing sales. Magnate ventures limited has a culture of implementation of new marketing methods (M =4.07 SD =1.00) and that market innovation ensures survival of businesses in an environment of fast changing market M = 3.86 SD =0.92) These findings concurs with the study findings by Wazovi (2013) that an effective market innovation not only enables a firm secure new business, but also safeguards their already existing business.
4.4 Challenges in Implementation of Innovation Capabilities

4.4.1 Leadership Challenges

Participants were required to indicate their level of agreement with the following statements relating to leadership challenges that the organisation faced in implementation of innovation capabilities.

Table 4.10: Leadership Challenges Faced in Implementation of Innovation Capabilities

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership challenges have a negative effect in implementation of innovation capabilities</td>
<td>73.00</td>
<td>2.00</td>
<td>5.00</td>
<td>4.05</td>
<td>0.98</td>
</tr>
<tr>
<td>The top managers in our company demonstrates their willingness to give energy in implementation of innovation capabilities</td>
<td>73.00</td>
<td>4.00</td>
<td>5.00</td>
<td>4.40</td>
<td>0.49</td>
</tr>
<tr>
<td>The top managers in our company are loyal in implementation of innovation capabilities</td>
<td>73.00</td>
<td>2.00</td>
<td>5.00</td>
<td>3.82</td>
<td>1.10</td>
</tr>
<tr>
<td>Effective leadership is very crucial during strategy execution</td>
<td>73.00</td>
<td>2.00</td>
<td>5.00</td>
<td>4.12</td>
<td>1.03</td>
</tr>
<tr>
<td>Management resistance to change and new ideas has a negative effect on implementation of innovation capabilities</td>
<td>73.00</td>
<td>2.00</td>
<td>5.00</td>
<td>4.19</td>
<td>0.81</td>
</tr>
<tr>
<td>Lack of visionary leadership has a negative effect on implementation of innovation capabilities</td>
<td>73.00</td>
<td>2.00</td>
<td>5.00</td>
<td>3.99</td>
<td>1.10</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents agreed that the top managers in the company demonstrates their willingness to give energy in implementation of innovation capabilities (M = 4.40 SD = 0.49). Leadership accommodates and uses both the internal and external business factors and to process complex information for the success of the firm (Pearce & Robinson, 2015). It was noted further that management resistance to change and new ideas has a negative effect on implementation of innovation capabilities (M = 4.19 SD =0.81). This supported earlier findings by Njeru (2012) who noted that management resistance to change and new ideas, lack of visionary leadership together with poor leadership skills and knowledge were...
challenges facing the organization. It was noted that effective leadership is very crucial during strategy execution (M = 4.12 SD =1.03) these results are in support of the study findings by Karani (2013) leadership is known as an essential ingredient when it comes to successful implementation of a strategy. It is also true that if there is no effective leadership more so from the top management of a firm, strategy implementation is likely to fail.

Further the study established that leadership challenges have a negative effect in implementation of innovation capabilities (M = 4.05 SD = 0.98) and lack of visionary leadership has a negative effect on implementation of innovation capabilities (M = 3.99 SD =1.10) top managers must demonstrate their willingness to give energy and loyalty to the implementation process. Their commitment and support is a clear sign to others that they lead that it is prudent to support the process (Chen, 2016). Finally, the top managers in the company are loyal in implementation of innovation capabilities (M = 3.82 SD =1.10) These findings concur with the study findings by Chapman, (2014) that to increase the probability of the implementation process being a success, the top leadership should not assume that the low level managers have the same view as them when it comes to the strategy implementation, its rational and urgency.
4.4.2 Resources Challenges

Participants were required to indicate their level of agreement with the following statements relating to resource challenges faced in implementation of innovation capabilities.

**Table 4.11: Resource Challenges in Implementation of Innovation Capabilities**

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organisation faces challenges in resource availability for implementation of innovation capabilities</td>
<td>73.00</td>
<td>2.00</td>
<td>5.00</td>
<td>4.03</td>
<td>0.78</td>
</tr>
<tr>
<td>Our organisation has sufficient funds for implementation of innovation capabilities</td>
<td>73.00</td>
<td>1.00</td>
<td>3.00</td>
<td>1.59</td>
<td>0.66</td>
</tr>
<tr>
<td>Our organisation has sufficient time for implementation of innovation capabilities</td>
<td>73.00</td>
<td>1.00</td>
<td>3.00</td>
<td>1.66</td>
<td>0.69</td>
</tr>
<tr>
<td>Our organisation has sufficient human resources for implementation of innovation capabilities</td>
<td>73.00</td>
<td>1.00</td>
<td>2.00</td>
<td>1.45</td>
<td>0.50</td>
</tr>
<tr>
<td>Our organisation has sufficient technological resource for implementation of innovation capabilities</td>
<td>73.00</td>
<td>1.00</td>
<td>3.00</td>
<td>1.42</td>
<td>0.72</td>
</tr>
<tr>
<td>The budgetary process in our organisation is effective</td>
<td>73.00</td>
<td>1.00</td>
<td>2.00</td>
<td>1.51</td>
<td>0.50</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents agreed that organisation faces challenges in resource availability for implementation of innovation capabilities (M = 4.03 SD = 0.78). If the implementation of the strategy is to be a success there is need for proper design, development, acquisition and use of resources that are given for the implementation process (Chapman, 2014). Magnate ventures limited organisation didn’t lack sufficient technological resource for implementation of innovation capabilities (M = 1.42 SD = 0.72), findings also revealed that magnate ventures limited didn’t lack sufficient human resources for implementation of innovation capabilities (M = 1.45 SD =0.50). For any firm to implement its strategic plans it must be willing to allocate enough resources to this process. There should be
links between the use of resources and the operations of the strategy implementation at the department levels if the strategy implementation process is to go as desired (Birnbaum, 2016).

The budgetary process in the organisation ineffective (M = 1.51 SD =0.50), magnate ventures limited lacked sufficient funds for implementation of innovation capabilities (M =1.59 SD=0.66) and that the organisation lacked sufficient time for implementation of innovation capabilities (M = 1.66 SD = 0.69) These findings are in line with the study findings by Chapman, (2014) that organizations need to have sufficient funds and enough time to support the implementation process. Njeru (2012) also noted few resource constraints in the process of innovating was a major challenge in organizations.

4.4.3 Organization Learning Intensity Challenges

Participants were required to indicate their level of agreement with the following statements relating to organizational learning challenges faced in implementation of innovation capabilities.

Table 4.12: Organization Learning Intensity Challenges in Implementation of Innovation Capabilities

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organisation struggles to identify innovation capability gaps</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.15</td>
<td>0.89</td>
</tr>
<tr>
<td>Our organisation struggles in the tracking of individual employees’ development</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.73</td>
<td>1.13</td>
</tr>
<tr>
<td>The employees in our organisations are well trained to help in the implementation of innovation capabilities</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.10</td>
<td>1.02</td>
</tr>
<tr>
<td>The organisation performs employees’ performance evaluation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.15</td>
<td>0.91</td>
</tr>
<tr>
<td>The employees in our organisations are involved in developing innovation capabilities</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.18</td>
<td>0.81</td>
</tr>
<tr>
<td>The top management provides a platform for employee learning in our organisation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.15</td>
<td>1.14</td>
</tr>
</tbody>
</table>
From the findings, majority of the respondents agreed that the employees of magnate ventures limited are involved in developing innovation capabilities (M = 4.18 SD =0.81), the findings supported Kazmi (2012) that employees should be involved in developing innovation capabilities and that organizational learning intensity is a stage that is higher when it comes to innovation and quality improvement and it represents the long term intended platform for firm’s success. Further magnate ventures limited struggled to identify innovation capability gaps, top management provides a platform for employee learning in the organisation and the organisation performs employees’ performance evaluation (M = 4.15 SD =0.89). The findings supported Njeru (2012) competition is a factor that helps in making the decision on the activities the organization is going to use to achieve improved performance in terms of proper implementation, cohesive culture and innovation.

The employees in the organisations are well trained to help in the implementation of innovation capabilities (M = 4.10 SD =1.02) and that magnate ventures limited struggles in the tracking of individual employees’ development (M = 3.73 SD =1.13). These findings are line with the study findings by Njeru (2012) that organizational learning challenges must be overcome by firms in order for them to survive the competitive pressure. Also, Olsen (2015) deduced that organization need to have sufficient funds and enough time to support the implementation process through employee training and development.
4.5 Effect of Innovation Capabilities on Performance

4.5.1 Effect of Innovation Capability on Competitiveness of Organizations

Participants were required to indicate their level of agreement with the following statements relating to effect of innovation capability on competitiveness of organizations.

Table 4.13: Effect of Innovation Capability on Competitiveness of Organizations

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The innovation capabilities have improved the competitiveness of organisation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.93</td>
<td>1.08</td>
</tr>
<tr>
<td>Strategic innovation capabilities give a competitive advantage to firms</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.89</td>
<td>0.95</td>
</tr>
<tr>
<td>Improvement in the human resources give a competitive advantage to firms</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.03</td>
<td>1.05</td>
</tr>
<tr>
<td>Improvement in the market research give a competitive advantage to firms</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.29</td>
<td>0.74</td>
</tr>
<tr>
<td>Talent nurturing give a competitive advantage to firms</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.19</td>
<td>0.88</td>
</tr>
<tr>
<td>Our company uses benchmarking to ensure competitive advantage</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.08</td>
<td>0.98</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents agreed that improvement in the market research give a competitive advantage to firms (M = 4.29 SD =0.74) this supported Karanja (2014) that creating of value through pricing, availability of resources and capabilities, customer satisfaction and retention and entry into new markets were new form of market innovation. Strategies talent nurturing give a competitive advantage to firms (M = 4.19 SD =0.88) and company uses benchmarking to ensure competitive advantage (M = 4.08 SD =0.98). The findings supported Wazovi (2013) that use of benchmarking enhance competitive advantage of firms and also influenced the profitability of organizations.

It was noted that improvement in the human resources give a competitive advantage to firms (M = 4.03 SD =1.05), the innovation capabilities have improved the competitiveness of organisation (M = 3.93 SD =1.08) and that strategic innovation capabilities give a competitive
advantage to firms (M = 3.89 SD =0.95). These findings concur with the study findings by Karanja (2014) if financial organizations were to increase its profitability, there was need for them to take up innovativeness, extend their product lines, replace some of the products. Improve and reposition their products while introducing new products.

4.5.2 Effect of Innovation Capability on Customer Satisfaction

Respondents were required to indicate their level of agreement with the following statements relating to effect of innovation capability on customer satisfaction

Table 4.14: Effect of Innovation Capability on Customer Satisfaction

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of customers in the organisation have increased as a result of product innovation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.33</td>
<td>0.69</td>
</tr>
<tr>
<td>The number of customers in the organisation have increased as a result of process innovation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.85</td>
<td>0.13</td>
</tr>
<tr>
<td>The number of customers in our organisation have increased as a result of service innovation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.70</td>
<td>1.06</td>
</tr>
<tr>
<td>Innovations help shape consumers attitudes towards company’s product</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.99</td>
<td>1.09</td>
</tr>
<tr>
<td>Innovation has led to customer satisfaction in organisations</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.11</td>
<td>0.91</td>
</tr>
<tr>
<td>Our organisation has been able to retain its customers over the last five years</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.05</td>
<td>1.10</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents agreed that the number of customers in the organisation have increased as a result of product innovation (M = 4.33 SD =0.69), innovation has led to customer satisfaction in organisations (M = 4.11SD =0.91) and that the organisation has been able to retain its customers over the last five years (M = 4.05 SD =1.10), further the study established that innovations help shape consumers attitudes towards company’s product (M = 3.99 SD =1.09), the number of customers in the organisation have increased as a result of process innovation (M = 3.85 SD =0.13) and that the number of customers in the
organisations have increased as a result of service innovation (M = 3.70 SD = 1.06). These findings concur with the study findings by Kiarie (2014) that organisations to carry out an awareness campaign where all information pertaining to technological innovations implemented was disseminated to the customers as well as increasing investment in the technology improvement so as to offer more innovations.

4.5.3 Effect of Innovation Capability on Profitability of Organizations

Respondents were required to indicate their level of agreement with the following statements relating to effect of Innovation capability on customer satisfaction.

Table 4.15: Effect of Innovation Capability on Profitability of Organizations

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The market share in our organization has increased over the last five years</td>
<td>73</td>
<td>3.00</td>
<td>5.00</td>
<td>4.23</td>
<td>0.61</td>
</tr>
<tr>
<td>The profitability in our organization has increased over the last five years</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.79</td>
<td>1.19</td>
</tr>
<tr>
<td>The revenue in our organization has increased over the last five years</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.80</td>
<td>0.76</td>
</tr>
<tr>
<td>Technology innovations have led to reduction in cost in our organisation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.99</td>
<td>1.07</td>
</tr>
<tr>
<td>Product innovation enhance the profitability of our organisation</td>
<td>73</td>
<td>3.00</td>
<td>5.00</td>
<td>4.00</td>
<td>0.96</td>
</tr>
<tr>
<td>Process innovation enhance the profitability of our organisation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>4.16</td>
<td>0.85</td>
</tr>
<tr>
<td>Market innovation enhance the profitability of our organisation</td>
<td>73</td>
<td>2.00</td>
<td>5.00</td>
<td>3.99</td>
<td>1.07</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents agreed that the market share in the organization has increased over the last five years (M = 4.23 SD = 0.61), process innovation enhance the profitability of the organization (M = 4.16 SD = 0.85) innovation enhance the profitability of the organization (M = 4.00 SD = 0.96) technology innovations have led to reduction in cost in the organization, market innovation enhance the profitability of the organization (M = 3.99 SD
(M = 3.80 SD = 0.76) and that the profitability in the organization has increased over the last five years (M = 3.79 SD = 1.19). These findings concur with the study findings by Hrebiniak (2015) declared that there is positive relationship between product market competition and productivity growth.

### 4.5.4 Pearson Correlation Analysis

After the descriptive analysis, the study conducted Pearson correlation analysis to indicate a linear association between the predicted and explanatory variables or among the latter. It, thus, help in determining the strengths of association in the model, that is, which variable best explained the relationship between independent study variables (product innovation capability, process innovation capability, market innovation capability) and performance in the Kenyan outdoor advertising industry.

#### Table 4.16: Pearson Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Performance In The Kenyan</th>
<th>Product Innovation Capability (X1)</th>
<th>Product Innovation Capability (X1)</th>
<th>Market Innovation Capability (X3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance (Y)</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.389*</td>
<td>.666**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>73</td>
<td>73</td>
<td>73</td>
</tr>
<tr>
<td>Product Innovation Capability (X₁)</td>
<td>Pearson Correlation</td>
<td>.389*</td>
<td>1</td>
<td>.272*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.001</td>
<td>.020</td>
<td>.034</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>73</td>
<td>73</td>
<td>73</td>
</tr>
<tr>
<td>Process Innovation Capability (X₂)</td>
<td>Pearson Correlation</td>
<td>.666**</td>
<td>.272*</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.020</td>
<td>.002</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>73</td>
<td>73</td>
<td>73</td>
</tr>
<tr>
<td>Market Innovation Capability (X₃)</td>
<td>Pearson Correlation</td>
<td>.492*</td>
<td>.248*</td>
<td>.362**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.034</td>
<td>.002</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>73</td>
<td>73</td>
<td>73</td>
</tr>
</tbody>
</table>
On the correlation of the study variable, the researcher conducted a Pearson moment correlation. From the finding in the table 4.14, the study found a positive correlation between performance in the Kenyan outdoor advertising industry and product innovation capability as shown by correlation factor of 0.389; this strong positive relationship was found to be statistically significant as the significant value was 0.001 which is less than 0.05. The study also found strong positive correlation between performance in the Kenyan outdoor advertising industry and process innovation capability as shown by correlation coefficient of 0.666, the study further found a positive correlation between market innovation capability and performance in the Kenyan outdoor advertising industry as shown by correlation coefficient of 0.492, this too was also found to be statistically significant at 0.0000 confidence level, the findings concur with Franks and Sharma and Dayaratna (2004), who found out that strong positive correlation between market innovation capability and performance in the Kenyan outdoor advertising industry.

4.5.5 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions. The model summary are presented in the table below

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.739a</td>
<td>.546</td>
<td>.526</td>
<td>5.15947</td>
</tr>
</tbody>
</table>

The study used coefficient of determination to evaluate the model fit. The adjusted R²; also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. The model had an average adjusted coefficient of determination (R²) of 0.526 and which implied that 52.6% of the variations in performance in the Kenyan outdoor advertising industry are explained by the independent variables under study (product innovation capability, process innovation capability market innovation capability).
The study further tested the significance of the model by use of ANOVA technique. The findings are tabulated in table 4.49.

**Table 4.18: Analysis of Variance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Regression</td>
<td>2206.879</td>
<td>3</td>
<td>735.626</td>
<td>27.634</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>1836.786</td>
<td>69</td>
<td>26.620</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4043.665</td>
<td>72</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Critical value =2.49

From the ANOVA statics, the study established the regression model had a significance level of 0.0% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (27.634> 2.49) an indication that product innovation capability, process innovation capability market innovation capability all have a significant impact on performance in the Kenyan outdoor advertising industry. The significance value was less than 0.05 indicating that the model was significant.

**Table 4.19: Regression Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>20.965</td>
<td>4.728</td>
<td>4.434</td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>Product innovation capability (X₁)</td>
<td>.320</td>
<td>.150</td>
<td>.183</td>
</tr>
<tr>
<td></td>
<td>Process innovation capability (X₂)</td>
<td>.994</td>
<td>.169</td>
<td>.523</td>
</tr>
<tr>
<td></td>
<td>Market innovation capability (X₃)</td>
<td>.441</td>
<td>.152</td>
<td>.257</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Y
As per the SPSS generated output as presented in table above, the equation \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \) becomes: \( Y = 20.965 + 0.320X_1 + 0.994X_2 + 0.441X_3 \)
product innovation capability, process innovation capability, market innovation capability

From the regression model obtained above, a unit change in product innovation capability holding the other factors constant would lead to a positive change in performance in the Kenyan outdoor advertising industry by a factor of 0.320; a unit change in process innovation capability while holding the other factors constant would change performance in the Kenyan outdoor advertising industry by a factor of 0.994 and that unit change in market innovation capability while holding the other factors constant would positively change performance in the Kenyan outdoor advertising industry by a factor of 0.441. The analysis was undertaken at 5% significance level. The criteria for comparing whether the predictor variables were significant in the model was through comparing the obtained probability value and \( \alpha=0.05 \). If the probability value was less than \( \alpha \), then the predictor variable was significant otherwise it wasn’t. All the predictor variables were significant in the model as their probability values were less than \( \alpha=0.05 \).

4.6 Chapter Summary

This chapter sought to find out the effects of innovation capabilities on performance in the Kenyan outdoor advertising industry: a case of Magnate Ventures Limited. The study targeted a sample size of 84 respondents from which 76 filled in and returned the questionnaires making a response rate of 90.5%. It was noted that product innovation provides the most significant means for generating revenue in the company. Leadership, resources and organization learning intensity challenges have a negative effect in implementation of innovation capabilities. It was noted that the innovation capabilities have improved the competitiveness, customer satisfaction and of profitability organisation. It was also found out that there was a strong positive correlation coefficient between performance in the Kenyan outdoor advertising firms and the three independent variables and regression analysis showed an increase in the 3 variables would result to a positive increase on performance in the Kenyan outdoor advertising firms. Chapter five provides a discussion, conclusion and recommendations on the findings of this research.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to, the conclusions and recommendations drawn were focused on addressing the objective of the study the researcher had intended to establish the effects of innovation capabilities on performance in the Kenyan outdoor advertising industry a case of Magnate Ventures Limited. Recommendations for further improvement were made through identification of the measures to be taken.

5.2 Summary of the Study

The purpose of this study was to establish the effects of innovation capabilities on performance in the Kenyan outdoor advertising industry a case of Magnate Ventures Limited. The study was guided by the following research questions: to establish the types of innovation capabilities employed by Magnate Ventures Limited, to determine the challenges in implementation of innovation capabilities in Magnate Ventures Limited and to establish the effect of innovation capabilities on performance in Magnate Ventures Limited.

The study adopted a descriptive research design. The target population was limited to the 84 formal employees at Magnate Ventures Limited who were from the senior level, middle level and lower level management and a stratified sampling technique was used to obtain a sample of 42 employees. The study used closed questions to gather primary data. The researcher selected a pilot group of 8 employees for the validity of the research instrument. Analysis was done quantitatively by use of descriptive and inferential statistics in form of linear regression model to study the relationship between the variables.

It was noted that product innovation provides the most significant means for generating revenue in the company, product innovation enhances the competitiveness of the company in the market and the employees are actively involved in product innovation. It was noted that product innovations enhance cost savings in the organization and that products that are
constantly improved are important for long term business growth and performance. Further process innovation is an enabler of product innovation, plays a role on the decrease unit costs of production in the organization and process innovation enhances the quality of the products and improves the organization’s performance. Market innovation plays a crucial role in fulfilling market needs and addressing the customer needs better. Market innovation helps in maintaining a competitive advantage against other firms, market innovation plays a crucial role in responding to market opportunities and that market innovation helps in increasing the firm’s sales. Finally, market innovation helps in opening up new markets for a company and that market innovation ensures survival of businesses in an environment of fast changing market.

On the challenges in implementation of innovation capabilities it was deduced that top management resistance to change and new ideas had a negative effect on implementation of innovation capabilities. Effective leadership is very crucial during strategy execution and that leadership challenges have a negative effect in implementation of innovation capabilities. Organisation faces challenges in resource availability for implementation of innovation capabilities, organisation lack sufficient technological resource and sufficient human resources for implementation of innovation capabilities. The employees should be involved in developing innovation capabilities and should be well trained to help in the implementation of innovation capabilities.

It was established that innovation capabilities have improved the competitiveness of organisation and there has been improvement in the human resources, market research and talent nurturing which give a company a competitive edge. It was noted that the number of customers in the organisation have increased as a result of product innovation, process innovation and service innovation. Further innovations help shape consumers attitudes towards company’s product and lead to customer satisfaction in organisations. It was deduced that innovation capability led to increase in market share, profitability, revenue and reduction in cost. It was also found out that there was a strong positive correlation coefficient between performance in the Kenyan outdoor advertising firms and the three independent variables and regression analysis showed an increase in the 3 variables would result to a positive increase on performance in the Kenyan outdoor advertising firms.
5.3 Discussion of the Findings

5.3.1 Types Innovation Capabilities Employed

Evidence gathered showed that product innovation provides the most significant means for generating revenue in the company as represented by a mean of 4.40 an indication that the respondents strongly agreed with the statement and organizations should have a culture of product innovation as represented by a mean of 4.22. The findings supported Simpson, Siguaw and Enz (2016) product innovation is one of the most unique ways of improving a business profit. It was noted product innovation enhances the competitiveness of the company in the market as represented by a mean of 4.05 and that the employees should be actively involved in product innovation as represented by a mean of 4.00. These findings are in line with the study findings by Abbing, (2010) product innovation enabled the company to gain large profit and some sort of market positioning.

Further the study established that product innovations enhance cost savings in the organization as represented by a mean of 3.92 an indication that the respondents agreed with the statement and this was supported by Simpson, Siguaw and Enz (2016) noted product innovation provides the means of enhancing product quality and reducing costs. It was deduced that products that are constantly improved are important for long term business growth and performance as represented by a mean of 3.70. Product innovation is used as a business strategy for any organizations that want to get hold of a bigger market share use this strategy since it attracts different customers that have unique needs (Oke et al., 2017). Finally, product innovations act as a means of improving product’s quality in the organization as represented by a mean of 3.60. These findings concur with the study findings by Kasuni, (2016) adopting innovation to products either as services or goods of the organization; to provide unique value and benefits for consumers, gain market share and instill competitive advantage over competitors.

It was agreed that process innovation is an enabler of product innovation, process innovation plays a role on the decrease unit costs of production in the organization as represented by a mean of 4.41 an indication that the respondents strongly agreed with the statement. Process innovation is sought to reduce expenditure, enhance the mode of delivery of goods and services and enhance the quality of the product (Oke, Burke & Myers). It was deduced that process
innovation enhances the quality of the products in the organization as represented by a mean of 4.22. These findings are line with the study findings by Wazovi (2013) who assets that process innovation directly affects three success dimensions. These are market performance, financial and customer performance thus it enables competitive advantage and improved overall performance of the firm.

The study also established that organizations should have a culture of product innovation and improvement as represented by a mean of 4.25 an indication that the respondents strongly agreed with the statement and the employees should be actively involved in process innovation in the organization as represented by a mean of 4.05. In most cases, the process innovation perspective embraces top-down models have always been noted to be the mainstay of breakthrough innovation (Wazovi, 2013). Finally, process innovation improves the organization’s performance as represented by a mean of 3.90. These findings concur with the study findings by Karanja (2014) that process innovation provides a tight connection between the organizational strategy and the process vision makes process innovation a primary vehicle for strategy implementation.

It was deduced that market innovation plays a crucial role in fulfilling market needs as represented by a mean of 4.34 an indication that the respondents strongly agreed with the statement and market innovation helps in addressing the customer needs better as represented by a mean of 4.27. Market innovation is to meet customer needs, positioning an organization product in the market or conquering new markets all for increased revenue for the firm (Gunday et al., 2011). Market innovation helps in maintaining a competitive advantage against other firms as represented by a mean of 4.26, market innovation plays a crucial role in responding to market opportunities as represented by a mean of 4.23 and that market innovation helps in increasing the firm’s sales as represented by a mean of 4.22. These findings are line with the study findings by Hrebinjak, (2015) on market powers and innovation, competition has positive impacts on innovation and technological progress.

Finally, it was noted that market innovation helps in opening up new markets for a company as represented by a mean of 4.12 an indication that the respondents strongly agreed with the statement. Rosli and Sidek (2013) noted the use of market innovation technology has increased the reach of customers for firms, reduced costs for firms while increasing sales. Organizations
should have a culture of implementation of new marketing methods as represented by a mean of 4.07 and that market innovation ensures survival of businesses in an environment of fast changing market as represented by a mean of 3.86. These findings concurs with the study findings by Wazovi (2013) that an effective market innovation not only enables a firm secure new business, but also safeguards their already existing business.

5.3.2 Challenges in Implementation of Innovation Capabilities

On the leadership challenges faced in implementation of innovation capabilities it was noted that the top managers in the company demonstrates their willingness to give energy in implementation of innovation capabilities as represented by a mean of 4.40 an indication that the respondents strongly agreed with the statement. Leadership accommodates and uses both the internal and external business factors and to process complex information for the success of the firm (Pearce & Robinson, 2015). It was noted further that management resistance to change and new ideas has a negative effect on implementation of innovation capabilities as represented by a mean of 4.19. This supported earlier findings by Njeru (2012) who noted that management resistance to change and new ideas, lack of visionary leadership together with poor leadership skills and knowledge were challenges facing the organization. It was noted that effective leadership is very crucial during strategy execution as represented by a mean of 4.12 these results are in support of the study findings by Karani (2013) that leadership is known as an essential ingredient when it comes to successful implementation of a strategy. It is also true that if there is no effective leadership more so from the top management of a firm, strategy implementation is likely to fail.

Further the study established that leadership challenges have a negative effect in implementation of innovation capabilities as represented by a mean of 4.05 an indication that the respondents strongly agreed with the statement. Lack of visionary leadership has a negative effect on implementation of innovation capabilities as represented by a mean of 3.99. Top managers must demonstrate their willingness to give energy and loyalty to the implementation process. Their commitment and support is a clear sign to others that they lead that it is prudent to support the process (Chen, 2016). Finally, the top managers in the company should be loyal in implementation of innovation capabilities as represented by a mean of 3.82. These findings concur with the study findings by Chapman, (2014) that to increase the probability of the
implementation process being a success, the top leadership should not assume that the low level managers have the same view as them when it comes to the strategy implementation, its rational and urgency.

On the resource challenges in implementation of innovation capabilities, it was confirmed that organisation face challenges in resource availability for implementation of innovation capabilities as represented by a mean of 4.03 an indication that the respondents strongly agreed with the statement. If the implementation of the strategy is to be a success there is need for proper design, development, acquisition and use of resources that are given for the implementation process (Chapman, 2014). It was noted that the respondents disagreed that organisation lacked sufficient technological resource for implementation of innovation capabilities as represented by a mean of 1.42, hence there was sufficient technological resource for implementation of innovation capabilities.

Findings also revealed and that organizations didn’t lack sufficient human resources for implementation of innovation capabilities as represented by a mean of 1.45. Resource allocation is important and equitable resource allocation and sharing is an important activity that enhances strategy execution. The resources include financial, physical, human, and technological resource. Effective implementation of any organization's strategic plan depends on rational and equitable resource allocation across the organization (Birnbaum, 2016). The respondents disagreed that budgetary process in the organisation ineffective as represented by a mean of 1.51 hence budgetary process in most organisation is effective. The respondents disagreed that organizations lacked sufficient funds for implementation of innovation capabilities as represented by a mean of 1.59 hence there was sufficient funds for implementation of innovation capabilities and that the organisation lacked sufficient time for implementation of innovation capabilities as represented by a mean of 1.66 hence there was sufficient time for implementation of innovation capabilities. These findings are in line with the study findings by Njeru (2012) also noted few resource constraints in the process of innovating was a major challenge in organizations.

On organization learning intensity challenges in implementation of innovation capabilities, it was noted that the employees of are involved in developing innovation capabilities as represented by a mean of 4.18 an indication that the respondents strongly agreed with the
The findings supported Kazmi (2012) that employees should be involved in developing innovation capabilities and that organizational learning intensity is a stage that is higher when it comes to innovation and quality improvement and it represents the long term intended platform for firm’s success.

Further organizations struggled to identify innovation capability gaps, top management provides a platform for employee learning in the organisation and the organisation performs employees’ performance evaluation as represented by a mean of 4.15 an indication that the respondents strongly agreed with the statement. The findings supported Njeru (2012) that competition is a factor that helps in making the decision on the activities the organization is going to use to achieve improved performance in terms of proper implementation, cohesive culture and innovation.

It was noted that the employees in the organisations are well trained to help in the implementation of innovation capabilities and that magnate ventures limited struggles in the tracking of individual employees’ development as represented by a mean of 4.10 an indication that the respondents strongly agreed with the statement. These findings are line with the study findings by Njeru (2012) that organizational learning challenges must be overcome by firms in order for them to survive the competitive pressure. Also, Olsen (2015) deduced that organization need to have sufficient funds and enough time to support the implementation process through employee training and development.

### 5.3.3 Effect of Innovation Capabilities on Performance

On effect of innovation capability on competitiveness of organization, this study revealed that innovation capability has led to improvement in the market research which gives a competitive advantage to firms as represented by a mean of 4.29 an indication that the respondents strongly agreed with the statement. This supported Karanja (2014) that creating of value through pricing, availability of resources and capabilities, customer satisfaction and retention and entry into new markets were new form of market innovation. Strategies talent nurturing give a competitive advantage to firms as represented by a mean of 4.19 and company uses benchmarking to ensure competitive advantage as represented by a mean of 4.08 an indication that the respondents strongly agreed with the statements. The findings supported Wazovi
(2013) that use of benchmarking enhance competitive advantage of firm as and also influenced the profitability of organizations.

It was noted that improvement in the human resources give a competitive advantage to firms as represented by a mean of 4.03, the innovation capabilities have improved the competitiveness of organisation as represented by a mean of 3.93 and that strategic innovation capabilities give a competitive advantage to firms as represented by a mean of 3.89 an indication that the respondents strongly agreed with the statements. These findings concur with the study findings by Karanja (2014) if financial organizations were to increase its profitability, there was need for them to take up innovativeness, extend their product lines, replace some of the products. Improve and reposition their products while introducing new products.

On the effect of innovation capability on customer satisfaction, it was revealed that the number of customers in the organisation have increased as a result of product innovation as represented by a mean of 4.33 and innovation has led to customer satisfaction in organisations and that the organisation has been able to retain its customers over the last five years as represented by a mean of 4.11 an indication that the respondents strongly agreed with the statements. Further the study established that innovations help shape consumers attitudes towards company’s product as represented by a mean of 3.99, the number of customers in the organisation have increased as a result of process innovation as represented by a mean of 3.85 and that the number of customers in the organisation have increased as a result of service innovation as represented by a mean of 3.70. These findings concur with the study findings by Wazovi (2013) process innovation had a positive significant effect on the financial performance for the firms.

It was agreed that the market share in the organization has increased over the last five years as represented by a mean of 4.23 and process innovation enhance the profitability of the organization as represented by a mean of 4.16 an indication that the respondents strongly agreed with the statements. Innovation enhance the profitability of the organization as represented by a mean of 4.00 and technology innovations have led to reduction in cost in the organization, market innovation enhance the profitability of the organization as represented by a mean of 3.99. Further the revenue in the organization has increased over the last five years as represented by a mean of 3.80 and that the profitability in the organization has increased over the last five years as represented by a mean of 3.79. These findings concurs with the study
findings by Hrebiniak (2015) declared that there is positive relationship between product market competition and productivity growth.

On the correlation of the study variable it was found that there was a positive correlation between performance in the Kenyan outdoor advertising industry and product innovation capability as represented by correlation factor of 0.389; this strong positive relationship was found to be statistically significant as the significant value was 0.001 which is less than 0.05. The study also found strong positive correlation between performance in the Kenyan outdoor advertising industry and process innovation capability as represented by correlation coefficient of 0.666, this strong positive relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.05. The study further found a positive correlation between market innovation capability and performance in the Kenyan outdoor advertising industry, this too was also found to be statistically significant at 0.0000 significance level. The findings concur with Franks and Sharma and Dayaratna (2004), who found out that strong positive correlation between market innovation capability and performance in the Kenyan outdoor advertising industry.

The study used coefficient of determination to evaluate the model fit. The adjusted $R^2$: also called the coefficient of multiple determinations had an average adjusted coefficient of determination ($R^2$) of 0.526 and which implied that 52.6% of the variations in performance in the Kenyan outdoor advertising industry are explained by the independent variables under study (product innovation capability, process innovation capability market innovation capability). From the ANOVA statics, the study established the regression model had a significance level of 0.0% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (27.634> 2.49) an indication that product innovation capability, process innovation capability market innovation capability all have a significant impact on performance in the Kenyan outdoor advertising industry. The significance value was less than 0.05 indicating that the model was significant. The findings supported Karanja (2014) who found that adoption of innovation strategies influenced the profitability of commercial banks in Kenya to a very great extent.
From the regression model, a unit change in product innovation capability holding the other factors constant would lead to a positive change in performance in the Kenyan outdoor advertising industry by a factor of 0.320; a unit change in process innovation capability while holding the other factors constant would change performance in the Kenyan outdoor advertising industry by a factor of 0.994 and that unit change in market innovation capability while holding the other factors constant would positively change performance in the Kenyan outdoor advertising industry by a factor of 0.441. The analysis was undertaken at 5% significance level. The criteria for comparing whether the predictor variables were significant in the model was through comparing the obtained probability value and \( \alpha=0.05 \). If the probability value was less than \( \alpha \), then the predictor variable was significant otherwise it wasn’t. All the predictor variables were significant in the model as their probability values were less than \( \alpha=0.05 \). The findings supported Mensah (2015) results that Product innovation, marketing innovation and process innovation had a strong relationship with organizational performance.

5.4 Conclusions

5.4.1 Product Innovation Capability

The study concludes that product innovations enhanced cost savings, adopting innovation to products either as services or goods of the organization provided a unique value and benefits for consumers, gain market share and instill competitive advantage over competitors. Process innovation plays a role on the decrease unit costs of production at magnate ventures limited and that process innovation enhances the quality of the products in the organization. Further the study concludes that magnate ventures limited has a culture of market innovation and improvement, the employees of magnate ventures limited are actively involved in process innovation in the organization, and that market innovation plays a crucial role in fulfilling market needs, market innovation helps in addressing the customer needs better,

5.4.2 Challenges in Implementation of Innovation Capabilities

This study concludes that, leadership is one of the key drivers of effective implementation of innovation strategy lack of visionary leadership at Magnate limited has a negative effect on implementation of innovation, the top managers at magnate ventures limited demonstrates their
willingness to give energy in implementation of innovation capabilities. the study also concludes that the magnate ventures limited lacked sufficient technological resource for implementation of innovation capabilities, the company lacked sufficient human resources for implementation of innovation capabilities, the budgetary process in was organisation ineffective, magnate ventures limited struggles to identify innovation capability gaps, top management provides a platform for employee learning in the organisation, and that organizational learning challenges must be overcome by firms in order for them to survive the competitive pressure.

5.4.3 Effect of Innovation Capabilities on Performance

This study concludes that innovation capability led to improved competitiveness of the organization, product innovation, innovation has led to customer satisfaction in organisations and that the organisation has been able to retain its customers over the last five years, Innovation has led to customer satisfaction in organisations, improvement in the market, customers in the organisation have increased as a result of process innovation and that the number of customers in the organisation have increased as a result of service innovation. Further the study concludes that the market share in the organization has increased over the last five years, process innovation enhances the profitability of the organization, innovation enhance the profitability of the organization, technology innovations have led to reduction in cost in the organization, market innovation enhance the profitability of the organization
5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Types of Innovation Capabilities Employed

Based on the study findings the study recommends that firms should continually adopt a culture of product innovation, process and market innovation which should involve employees and other stakeholders since when these innovations are implemented there will be generating revenue, improving in product’s quality and cost savings.

5.5.1.2 Challenges in Implementation of Innovation Capabilities

The management of firms should encourage workers to convert their ideas into reality, since without the right resources, even the best ideas tend to fail. Firms should also invest their time in the creative nourishment of the workers and providing learning opportunities, this is based on the notion that innovation is achieved when an organization demonstrate to its workers a path that leads to creativity.

5.5.1.2 Effect of Innovation Capabilities on Performance

Innovation capability enhance the competitiveness of organizations, customer satisfaction and profitability of organizations thus the organizations should facilitate innovation by providing the appropriate resources in terms of financial and human resource to ensure that innovations are implemented. Top management need to encourage employees to share their opinion and be part of every creative process in the business.

5.5.2 Recommendation for Further Studies

The study sought to establish the effects of innovation capabilities on performance in the Kenyan outdoor advertising industry a case of Magnate Ventures Limited. The above study only focused on Magnate Ventures Limited, a study can be done on the same topic but take a cross section of several advertising firms. A study can also be done on another advertising firm and help compared the results with those of Magnate Ventures Limited.
REFERENCES


APPENDICES

Appendix I: Introduction Letter

To Whom It May Concern

Dear Sir/Madam,

I am conducting a study on the EFFECTS OF INNOVATION CAPABILITIES ON PERFORMANCE IN THE KENYAN OUTDOOR ADVERTISING INDUSTRY A CASE OF MAGNATE VENTURES LIMITED in partial fulfilment of my MBA program at USIU- Africa. I am glad to inform you that you have been selected to form part of this study. I kindly request your assistance in completing the attached questionnaire which forms a major input of the research process. The information and data will be strictly used for academic purposes only and strict confidence shall be observed on the same.

Your cooperation will go a long way in ensuring the success of this project. I would like to thank you in advance for your time and consideration.

Yours Sincerely,

Edward Muniu.
Appendix II: Questionnaire

SECTION A: Demographic Information

You are requested to fill out your personal information in the spaces below. Please tick only one response.

1. Gender:
   - Male: [ ]
   - Female: [ ]

2. Age:
   - 20-29 [ ]
   - 30-39 [ ]
   - 40-49 [ ]
   - 50 years and above [ ]

3. Highest Level of education:
   - Degree [ ]
   - Postgraduate [ ]

4. Number of years worked in this company?
   - Less than 1 year [ ]
   - 1-5 years [ ]
   - 6-10 years [ ]
   - 11-15 years [ ]
   - Above 15 years [ ]

SECTION B: Types of Innovation Capabilities Employed

5. Please indicate the types of innovation capabilities employed by your organisation?

   ……………………………………………………………………………………………
   ………………………………………………………………………………………

   Types of Innovation Capabilities Employed. Please complete the following questions by rating on a scale of 1 to 5 where: 1 =Strongly disagree, 2 =Disagree, 3 = Neutral, 4 =Agree and 5 = Strongly Agree.

<table>
<thead>
<tr>
<th>Types of Innovation Capabilities Employed.</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Innovation Capability</td>
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<tr>
<td>6. Our organizational has a culture of product innovation</td>
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<td>7. The employees are actively involved in product innovation</td>
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<tr>
<td>8.</td>
<td>Product innovation provides the most significant means for generating revenue in our company</td>
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<td>9.</td>
<td>Product innovations acts as a means of improving product’s quality in our organisation</td>
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<td>10.</td>
<td>Product innovations enhance cost savings in our organisation</td>
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<tr>
<td>11.</td>
<td>Products that are constantly improved are important for long term business growth and performance</td>
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<tr>
<td>12.</td>
<td>Product innovation enhance the competitiveness of a company in the market</td>
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</tbody>
</table>

**Process Innovation Capability**

| 13. | Our organizational has a culture of product innovation and improvement                    |
| 14. | The employees are actively involved in process innovation in our organisation              |
| 15. | Process innovation plays a role on the decrease unit costs of production in our organisation |
| 16. | Process innovation enhances the quality of the products in our organisation                |
| 17. | Process innovation improves the organization’s performance                                |
| 18. | Process innovation is an enabler of product innovation                                    |

**Market Innovation Capability**

| 19. | Our organizational has a culture of implementation of new marketing methods               |
| 20. | Market innovation helps in addressing the customer needs better                            |
21. Market innovation helps in opening up new markets for a company

22. Market innovation helps in increasing our firm’s sales

23. Market innovation plays a crucial role in fulfilling market needs

24. Market innovation plays a crucial role in responding to market opportunities

25. Market innovation ensures survival of businesses in an environment of fast changing market

26. Market innovation helps in maintaining a competitive advantage against other firms

Section C: Challenges in Implementation of Innovation Capabilities

27. Please indicate the challenges your organisation faces in implementation of innovation capabilities?

…………………………………………………………………………………………

…………………………………………………………………………………………

Challenges in Implementation of Innovation Capabilities. Please complete the following questions by rating on a scale of 1 to 5 where: 1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree

<table>
<thead>
<tr>
<th>Challenges in Implementation of Innovation Capabilities</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>Leadership Challenges</td>
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<tr>
<td>28. Leadership challenges have a negative effect in implementation of innovation capabilities</td>
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<tr>
<td>29. The top managers in our company demonstrates their willingness to give energy in implementation of innovation capabilities</td>
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<tr>
<td>30. The top managers in our company are loyal in implementation of innovation capabilities</td>
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</tbody>
</table>

72
<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>Effective leadership is very crucial during strategy execution</td>
</tr>
<tr>
<td>32</td>
<td>Management resistance to change and new ideas has a negative effect on</td>
</tr>
<tr>
<td></td>
<td>implementation of innovation capabilities</td>
</tr>
<tr>
<td>33</td>
<td>Lack of visionary leadership has a negative effect on</td>
</tr>
<tr>
<td></td>
<td>implementation of innovation capabilities</td>
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</table>

**Resources Challenges**

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<tr>
<th></th>
<th>Statement</th>
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<tbody>
<tr>
<td>34</td>
<td>Our organisation faces challenges in resource availability</td>
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<tr>
<td></td>
<td>for implementation of innovation capabilities</td>
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<tr>
<td>35</td>
<td>Our organisation has sufficient funds for</td>
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<td></td>
<td>implementation of innovation capabilities</td>
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<td>36</td>
<td>Our organisation has sufficient time for</td>
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<td></td>
<td>implementation of innovation capabilities</td>
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<tr>
<td>37</td>
<td>Our organisation has sufficient human resources for</td>
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<td></td>
<td>implementation of innovation capabilities</td>
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<tr>
<td>38</td>
<td>Our organisation has sufficient technological resource</td>
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<tr>
<td></td>
<td>for implementation of innovation capabilities</td>
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<tr>
<td>39</td>
<td>The budgetary process in our organisation is effective</td>
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</table>

**Organization Learning Intensity Challenges**

<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
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<tbody>
<tr>
<td>40</td>
<td>Our organisation struggles to identify innovation capability gaps</td>
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<tr>
<td>41</td>
<td>Our organisation struggles in the tracking of individual</td>
</tr>
<tr>
<td></td>
<td>employees’ development</td>
</tr>
<tr>
<td>42</td>
<td>The employees in our organisations are well trained to help in the</td>
</tr>
<tr>
<td></td>
<td>implementation of innovation capabilities</td>
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<tr>
<td>43</td>
<td>The organisation performs employees’ performance evaluation</td>
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<tr>
<td>44.</td>
<td>The employees in our organisations are involved in developing innovation capabilities</td>
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<tr>
<td>45.</td>
<td>The top management provides a platform for employee learning in our organisation</td>
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</tbody>
</table>

**Section D: Effect of Innovation Capabilities on Performance**

46. How has innovation capability benefited your organisation?

…………………………………………………………………………………………
…………………………………………………………………………………………

**Effect of Innovation Capabilities on Performance. Please complete the following questions by rating on a scale of 1 to 5 where: 1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.**

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</thead>
<tbody>
<tr>
<td>47.</td>
<td>The innovation capabilities have improved the competitiveness of organisation</td>
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<tr>
<td>48.</td>
<td>Strategic innovation capabilities give a competitive advantage to firms</td>
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<td>49.</td>
<td>Improvement in the human resources give a competitive advantage to firms</td>
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<tr>
<td>50.</td>
<td>Improvement in the market research give a competitive advantage to firms</td>
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<tr>
<td>51.</td>
<td>Talent nurturing give a competitive advantage to firms</td>
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<tr>
<td>52.</td>
<td>Our company uses benchmarking to ensure competitive advantage</td>
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</table>

**Effect of Innovation capability on Customer Satisfaction in Organisations**
53. The number of customers in our organisation have increased as a result of product innovation

54. The number of customers in our organisation have increased as a result of process innovation

55. The number of customers in our organisation have increased as a result of service innovation

56. Innovations help shape consumers attitudes towards company’s product

57. Innovation has led to customer satisfaction in organisations

58. Our organisation has been able to retain its customers over the last five years

### Effect of Innovation capability on Profitability of Organisations

59. The market share in our organisation has increased over the last five years

60. The profitability in our organisation has increased over the last five years

61. The revenue in our organisation has increased over the last five years

62. Technology innovations have led to reduction in cost in our organisation

63. Product innovation enhance the profitability of our organisation

64. Process innovation enhance the profitability of our organisation

65. Market innovation enhance the profitability of our organisation

Thank you very much for your cooperation and honest feedback.