

# THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

## Exploring Strategic Role of Innovation Strategies on Performance of Investment Cooperatives in Kenya

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### **Abstract:**

*The link between innovation strategies and organizational performance is a key issue in the field of strategic management that contributes towards the overall performance and objectives. The purpose of the study was to explore the influence of innovation strategies on performance of investment cooperatives in Kenya. The study was anchored on innovation diffusion theory. The study used descriptive research design. The target population was 40 respondents and adopted stratified sampling technique. The study purposively sampled finance managers, investment managers. Semi structured questionnaire was the main instrument of collecting primary data. Data was analyzed both quantitatively and qualitatively using SPSS version 24 and Microsoft excel. The study utilized multiple regressions analysis and correlation analysis to the nature of relationships. The study findings revealed that organization has adopted mobile applications, portals, and mobile money services to facilitate the speedy delivery of services to the customers that has led to the improvement in performance. The study recommends that relationship between innovation strategies and performance of investment cooperatives in Kenya should be enhanced to improve overall performance.*

**Keywords:** Innovation, strategy, performance, investment cooperative

## **1. Introduction**

### *1.1. Background of the Study*

To build a strong and profitable business it is necessary to develop a strategy that essentially dictates the general direction that allow a business or organization to direct activities that are consistent with the goals of the business owner and the organization and spend money wisely in order to create the greatest amount of return on investment (Bell, Crick & Young, 2016).

As organizations transform their delivery channels and working practices to satisfy greater customer demands and cost-efficiency, many deploy business strategies to meet these specific goals and general organizational objectives (Li, Guohui & Eppler, 2011). Investment cooperatives came into being as a result of the limitation that existed in the scope of operations for Savings and Credit Cooperatives (SACCO) and the change in the growth needs of the members of the SACCOS. The formation of investment cooperatives from the SACCOS would provide members with more options with regard to investments; operate with little limitations and satisfy the growing desire of members for better returns and diverse products.

The investment cooperatives have operated as independent cooperatives from the SACCOS. The main advantage has been that the investment cooperatives would take advantage of the already registered members of the SACCO as their customers while the members would enjoy faster processing of loans from the SACCO to finance the investment ventures in the company. This form of investment cooperatives has steadily increased with time from one to many, meaning that the market share from which they source customers has also been steadily reducing over time. The management has to make decisions on business level strategies. Thus, it is important for them to devise and adopt appropriate business level strategies which will ensure that the performance increases (Hambrick, 2015).

The changing competitive situation in the world markets, and the changing characteristics of trade relations, effect of policies and government frameworks have created a new dynamic business environment and the market structure being shaped by liberation, interdependence and technological enhancements (Thompson, 2014). In view of that highly competitive market, investment cooperatives must quickly grasp surprising opportunities, respond to threats and outmaneuver their rivals to endure and succeed. To obtain firm performance within the scope of sustainable competitive advantage, decisions on shaping firm's competitive strategies are one of the main issues for managers under firms' business level strategy.

Investment cooperatives in Europe have been found to cooperatives the communities in which they operate. According to Somavia (2013) investment cooperatives are specifically seen as significant tools for the creation of decent jobs and for the mobilization of resources for income generation. Many investment cooperatives provide jobs and pay local

taxes because they operate in specific geographical regions. According to Levin (2024) it is estimated that cooperatives employ more than 100 million men and women worldwide.

According to Athiyaman, (2015) achieving the desired performance of the investment cooperatives is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners. Most cooperatives search for the best strategies in order to consolidate their position in the market. Maintenance of competitive position and application of appropriate strategy most frequently ensure company's survival in the market and good results of its performance. In Africa, many of the cooperatives that were established in 1960s either for profit making or non-profit making do not exist today (Taiwo & Idunnu, 2010), since self-sustainable is very difficult to achieve without the ability to implement effective business level strategies in this dynamic business environment. The purpose of establishment of these organizations was very imperative for the development of Least Developed Countries (LDCs).

Investment cooperatives in Africa tend to be less dynamic and more resistant to change, compared to companies in industrialized countries (Jassim, 2014). In Nigeria, the investment cooperatives have been found to provide locally needed services, employment, circulate money locally and contribute to a sense of community or social cohesion. Taiwo and Idunnu (2010) argue that the ultimate purpose of investment cooperatives in Africa is to create value for its stakeholders. The objective of business level strategy therefore is to transform multiple inputs and options to achieve an organizations strategic goals and objectives. Moreover, any improvement in results is unlikely to be retained without a robust innovation strategy to provide the organization with an inspirational vision and strategic direction. The success development and deployment of an effective innovation strategy is therefore of paramount importance to all organizations (Grant, 2013).

Investment cooperatives in Kenya have to adopt different innovative strategies to ensure survival in a highly dynamic and competitive industry and improve their overall performance. This shall ensure diversification of the products and entering new markets targeting new customer base, which is aimed at breaking the common bond and expanding national coverage (Machoki, 2014). However, Mumanyi (2014) observes that despite their significance to the economy, the investment cooperatives have not been without their own fair of challenges. Since stiff competition has effectively edged out a notable number of players, the investment cooperatives therefore have started adopting business innovative strategy options available for their own survival and superior performance (Li and Li (2014) in order to gain a competitive advantage over its rivals in the industry and improve its overall performance.

Investment cooperatives in Kenya have exercised complete discretion over the investment of funds in a very conservative way (Thathi, 2014). In addition, Kamwaro (2013) note that the volume of funds channelled to funds in comparison to other securities questions the knowledge of operations of funds, investor confidence and knowledge of the different investment vehicles available. Investment cooperatives therefore act as an avenue where investors use the investment company that invests in a portfolio of investment vehicles that would provide the required rate of returns to both the investor and the investment company.

Since the initial co-operative in Kenya in 1908, there has been tremendous growth and currently achieving an average growth rate of 25 percent per year in deposits and assets with about 3.7 million members. To date, there are 5,122 registered SACCOs out of the total 12,000 registered co-operatives, which is about 44% of the total number of co-operatives in Kenya. Out of the 5,122 SACCOs, 150 are rural SACCOs (commodity based) while the rest are Urban SACCOs (employee based). This growth has compounded the operations hence the management has been grappling with the strategies to improve their performance.

### 1.1.1. Performance of Cooperatives

Despite the policy guidelines describing the performance of investment cooperatives in Kenya, the performance of different cooperatives overtime has been varied. Even though according to Clarke (2013) and Harrington et al, (2014); performance of investment cooperatives is seen as improved product quality, productivity, technical efficiency, service capabilities of an organization and sustained returns, Dess and Robinson (2014), show that economic indicators of performance such as return on capital and growth in sales can only be used to measure performance upon employment of appropriate strategies. Past studies have tried to assess the strategies employed, however, a study by Harrington et al, (2014) concluded that these strategies have been conventional and hence failed to meet the objective. This has left the management of these investment cooperatives with the option of innovating their strategies.

### *1.2. Statement of the Problem*

Cooperative movement is rated 1<sup>st</sup> in Africa and 7<sup>th</sup> in the world with over 22,000 cooperatives which contributes 43% to GDP. In Kenya, it contributes 31% of GDP and directly employs about 500,000. However, the cooperative movement operates in a highly dynamic environment, volatile, complex and ambiguous (MCD&M 2010). Cooperative societies in Kenya have faced a decline in their performance which has over time been associated partly to economic stagnation and liberalization policies (Machoki, 2014). Moreover, governance of cooperative societies has constrained their ability to reach full potential (Leggatt & Martin, 2013).

Despite having savings and deposits totaling Ksh. 732 billion and an asset base of Ksh. 1 trillion, the cooperative movement in Kenya is under threat. Three investment cooperatives, Mwalimu, Ekeza and Stima Investment are accused of an estimated loss of Ksh. 3.6 billion through mismanagement as outright fraud by officials and Boards. A number of them have either failed, struggling or in ICU such as the various farmers' cooperatives. In addition, most of the cooperatives are plagued by a number of challenges which have greatly led to the decline in their performance. Some of the challenges that

have led to the decline in performance include constant wrangles, corruption and mismanagement resulting in poor service delivery and becoming bankrupt (Vickery, Drogec & Markeland, 2013).

The decline in performance led by the stated challenges has raised concerns on the ability of cooperatives to become successful noting that since these are voluntary organizations, strategies can be devised which may facilitate the improve of the cooperative performance. The problem has been experienced and has raised alarm to the government and the stakeholders concerned to find ways through which the problem can be handled. Researchers have not been able to address these challenges effectively. Therefore, the focus for this study will be to examine the influence of business level strategy on performance of investment cooperatives in Kenya.

### 1.3. Objectives of the Study

The purpose of the study was to examine the influence of innovation strategy on performance of investment cooperatives in Kenya

## 2. Literature Review

### 2.1. Theoretical Framework

The theoretical foundation is the structure that can hold or support a theory of a research study. A theory is formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions. The study was anchored on innovation diffusion theory developed by Everett Martin Rogers (1962), to explain how, over time, an idea or product gains momentum and spreads through a specific social system. Innovation diffusion is based on the notion that adoption of an innovation involves the spontaneous or planned spread of new ideas and Rogers defines an innovation as an idea, practice, or object that is perceived as new (Rogers 1995). Rogers stresses that it is the perception of change that is important; if the idea seems new to the potential adopter then it should be considered to be an innovation (Tornatzky & Klein, 2012).

In diffusion theory the existence of an innovation is seen to cause uncertainty in the minds of potential adopters, and uncertainty implies a lack of predictability and of information. Diffusion is considered to be an information exchange process amongst members of a communicating social network driven by the need to reduce uncertainty (Carter & Belanger, 2015). Uncertainty can be considered as the degree to which a number of alternatives are perceived in relation to the occurrence of some event, along with the relative probabilities of each of these alternatives occurring. Diffusion theory contends that a technological innovation embodies information, and so its adoption acts to reduce uncertainty. In illustration of this Rogers cites the innovation of solar panels as reducing uncertainty over future energy costs and reliability of energy supply (Schaupp & Carter, 2015). This theory stresses that for an organization to remain competitive it should device ways on how to adopt to technology strategies which would lead to competitive advantage and performance in general.

The theory was appropriately used in the study to explain how innovation strategy helps the company achieve competitive advantage. Innovative technology is known as a critical factor for firms to create value and sustain competitive advantage in today's highly complex and dynamic environment. The theory argues that firms accepting the innovative technology as a resource, in response to environmental changes will help them to achieve higher performance and be more successful. The theory points to a link between international competition and economic growth through firm adoption of innovations (Lundvall, 2012). This implies that innovative technology is usually a key outcome of intensive competition. A company is positioned to succeed if it has the best and most appropriate stock of the resources relevant for its business and its strategy. The theory draws attention to the firm's innovative technology as a driver for competitive advantage and emphasizes the innovations that firms have developed to compete in the environment.

### 2.2. Conceptual Framework

A conceptual framework is an analytical tool which contains several differences and contexts useful in organizing ideas and making conceptual distinctions (Robison, 2014). It is a pictorial diagram identifying the dependent and independent variables clearly illustrating how they relate to one another (Kothari, 2008). The independent variables in this study is innovation strategy while the dependent variable is performance of investment cooperative in Kenya. Figure 1 depicts conceptual relationship between the study variables.

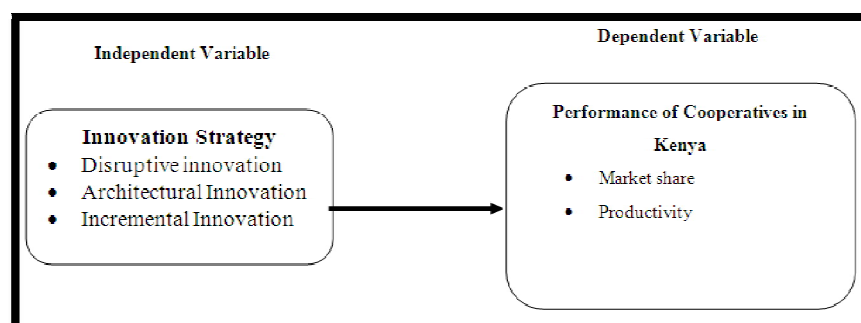


Figure 1: Depicting Relationship between Study Variables

According to Lionnet, (2013), innovation strategy refers to adopting new and more advanced product and services aimed towards expanding the firm's share of the market, profitability and generally organization performance. In a similar way, Ngweshi, (2016) defines innovation strategy to be the development and marketing new products and services that add value to the customers by meeting their needs at the right time in a convenient and efficient manner than that offered by competitors. The innovation strategies are consultative, considers the environment and is interactive seeking to facilitate the organization in the accomplishment of its short- and long-term objectives (Lundvall, 2012). Innovative strategies push firms to look beyond the organization, industry or geographical location and come up with business models that are creative and competitive.

These strategies are premised on value addition from product design, development, marketing, supply chain and after use (Ting, Wang, & Shin, 2012). According to Porter (2014), innovation strategies occur as a result of the need to create competitive advantage and that a strategy cannot be innovative if it does not lead to competitive advantage in a specific industry improve organization capabilities and resources (Polder, Leeuwen, Mohnen, & Raymond, 2010). Firms can use innovations strategically to address changes in the local as well as global business environment. Innovations can also be adapted to respond to changes in tastes, demand, performance level demands and organization growth needs. Therefore, innovation strategies are crucial ingredients in ensuring organizational survival and enhance its relevance in their business environment and for proper strategic management (Porter, 2014).

Beyene et al. (2016) studied the impact of innovation strategy on organizational learning and innovation performance using Ethiopia data. The findings were that adoption of innovative strategies improved product innovation and hence organization performance. The study further provided empirical finding that with changes in external environment mainly on technology, changes in economic situation and human resource capacity changes left with firms with no option than to adopt innovative strategies mainly focusing on products and marketing

Akingbade (2015) the study focused on the analysis of innovation strategy and performance in selected Nigeria telecommunication companies. The target population were strategic managers at Nigeria telecommunication companies. Data was analyzed using descriptive statistics. The study establishes the importance of each of the competitive strategies on the crucial factors affecting the telecommunication performance indices despite local and global challenges facing the industrial business environment. Since their establishment, the four major telecommunication companies had made significant profit from their investment. But despite all the efforts made through the provision of competitive strategies to improve customer satisfaction, retention and loyalty, the customers have not sufficiently enjoyed improved services.

Ali (2013) did a study on innovation strategy and business performance in telecommunication industry case study Somalia they found out that impact of innovation strategy on business performance was great and there was a positive correlation between innovation and performance. Krop (2014) in his study examined specific business strategies namely human resource, finance, technology strategies that influence the performance of cooperatives located in Nairobi County in Kenya. In his findings he noted there are other variables that are location specific which also contribute to the performance of cooperatives.

Njoroge (2015) studied innovative response strategies incorporated by Sarova hotels in Kenya to changes in the environment. Data used by this study was both secondary and primary where primary data was collected by conducting interviews of top managers at Sarova Hotels Limited. The study found that Sarova Hotels Limited had experienced a lot of changes in its external environment that has brought about opportunities and threats for the hotel. The hotel had to restructure its strategy to remain competitive and maintain growth in market share. The innovative strategies adopted included strategic leadership, cost leadership and product and service innovation. Other strategies they have used include improved promotion and service development. The company had also responded by changing the staff culture and technologies adopted.

### *2.3. Critique of the Existing Literature*

A close examination of existing literature on the influence of innovative strategy on performance have established that there is a lot of scientific literature in the area in the developed economies in general (Pimpong, Hanqin and Hailin 2012, Charles, 2010, and Gloria and Ding, 2015). Njoroge (2015) studied innovative response strategies incorporated by Sarova hotels in Kenya to changes in the environment. The innovative strategies adopted included strategic leadership, cost leadership and product and service innovation. Other strategies they have used include improved promotion and service development. The company had also responded by changing the staff culture and technologies adopted. The study mainly focused on hotels and thus the findings could not be generalized with this study hence creating a knowledge gap. This will fill the gap by investigating the effects of cost leadership strategy, differentiation strategy, technology strategy, and customer service strategy on the performance of cooperatives in Kenya.

Despite these studies having been carried out, there is little evidence on the effects of similar business strategies on the performance of other service industries like the cooperatives. Therefore, this study will seek to fill the identified research gap by evaluating the effects of cost leadership strategy, differentiation strategy, innovation strategy, and focus strategy on the performance of cooperatives in Kenya.

## **3. Methodology**

### *3.1. Research Design*

According to Creswell (2003) a research design provides a framework for the collection and analysis of data. It constitutes the blue print for the collection, measurement and analysis of data. The study used descriptive research design (Kothari, 2006). Descriptive research helped the researcher to describe a phenomenon in terms of attitude, values and

characteristics. According to Orodho (2003), descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. This method was appropriate for the study in that it helped in portraying the accuracy of people's profile events and situations. A descriptive research design also allowed for in-depth analysis of variables and elements of the population to be studied and as well as collection of large amounts of data in a highly economical way.

### 3.2. Target Population

Population refers to all people or items (unit of analysis) with the characteristics that one wishes to study. The target population was investment cooperatives in Kenya. There are 10 investment cooperatives in Kenya (SASRA, 2019). Thus, the total target population was 10 investment cooperatives.

### 3.3. Sample and Sampling Technique

A sample is a smaller group or sub-group obtained from the accessible population (Mugenda and Mugenda, 2003). This study adopted stratified sampling technique, a probability sampling technique in which the researcher divides the entire population into different strata. The board (CEOs) and the managers formed the sample strata respondents. The study purposively sampled finance managers, investment managers, and operations managers as well as the Chief Executive Officers (CEOs), giving a sample of forty respondents (10 CEOs, 10 finance managers, 10 investment managers, and 10 operations managers) since they have access to the required information and have the appropriate experience to provide relevant information.

### 3.4. Data Collection Instrument

The study used a semi structured questionnaire as the main tool of collecting primary data. The close ended questions followed Likert five-point scale with predetermined responses. The questionnaires were administered on a 'drop and pick later' technique to ensure a higher return rate.

### 3.5. Pilot Study

Before the main research, the study pre-tested in cooperatives in Nairobi County in order to enhance the validity and reliability of the study instruments and necessary corrections of the instrument were made. A small sample of 10% (5 cooperatives) of the sample population was chosen from the population. The pilot study aided in determining accuracy, clarity and suitability of the instruments. It assisted to classify scarce and ambiguous items such that those that would not evaluate the variables intended, were modified.

#### 3.5.1. Validity of the Research Instruments

The study adopted content validity to indicate whether the test items represents the content that the tool was designed to measure. To ensure validity, the questionnaire measurement items were generated from conceptual framework constructs (Figure 1) upon extensive review of literature of past studies

#### 3.5.2. Reliability of the Research Instruments

Reliability is a measure of degree to which a particular measuring procedure provides consistent results or data after a repeated trial. To gauge test-retest reliability, the test was administered twice at two dissimilar points in time. This type of reliability assumes that there is no change in the quality or construct being measured. Cronbach's Coefficient alpha was used to compute the correlation co-efficient to determine the degree to which there is consistency in providing similar response every time the instrument is administered. Cronbach's alpha value of not less than 0.70 suggest an acceptable level of internal consistency (Cronbach, & Azuma, 2011).

### 3.6. Data Analysis and Presentation

According to Burn and Grove (2003), data processing and analysis is the means by which the collected data is processed to adduce meaningful information. Upon collection, data was then cleaned, coded and then analyzed both quantitatively and qualitatively. Quantitative data was analyzed by use of SPSS version 24 Microsoft excel was also used to produce the output of the data, to generate the mean and standard deviation of the distributions and results presented using frequency distribution tables. Further the study utilized inferential statistics (correlations and regressions analysis) to determine the nature of relationship between business level strategy and performance.

Correlation analysis was also used to scale and analyze how innovation strategy constructs and performance indicators correlate. Moreover, the regression used followed a generic regression model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e, \text{ Where}$$

Y= Performance

$\alpha$  = constant term

$\beta_1, \beta_2, \beta_3, \beta_4$  = Parameters

$X_1$  = Cost Leadership Strategy

$X_2$  = Differentiation Strategy

$X_3$  = Innovation Strategy

$X_4$  = Focus Strategy

$e$  = Error term

In addition, the qualitative data was analyzed using content analysis through analytically and accurately ascertaining specific features of messages and information as the foundation to relate to trends to enhance accurate interpretations.

#### 4. Data Analysis and Discussions

##### 4.1. Questionnaire Response Rate

This part analyzes information on the questionnaires that were returned from the field. Findings on filled in questionnaires and unreturned questionnaires are presented in Table 1.

Response	Frequency (n)	Percentage (%)
Filled in questionnaires	31	77.5
Un returned questionnaires	9	22.5
Total Response Rate	40	100

Table 1: Response Rate

Out of the sampled population, 31 questionnaires were returned duly filled in making a response rate of 77.5%. The response rate was representative and was adequately used to answer the research questions. A Response rate above 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent (Kothari, 2009).

##### 4.2. Demographic Characteristics of the Respondents

The respondents' personal information included level of education, operation of the cooperative and employees in the cooperative.

##### 4.2.1. Distribution of Participants by Level of Education

The respondents were requested to indicate their level of education. From the findings, most (41%) of the respondents had certificate/diploma level of education, 38% were graduates, while 21% were postgraduates. This implies that respondents were well knowledgeable and hence higher chances of getting reliable data. The findings on analysis of respondent's level of education have been presented on Figure 3.

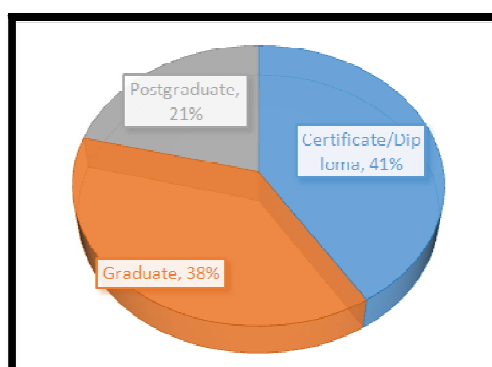


Figure 2: Distribution of Participants by Level of Education

##### 4.2.2. Length of Operation of the Cooperative

The respondents were requested to indicate the length of operation of their cooperative. From the study findings, 51.6% of the respondents indicated that their cooperative was in operation for a duration between 6-10 years, 19.4% indicated 1-5 years, 16.1% indicated 11-15 years, 9.7% indicated over 15 years, while 3.2% indicated less than one year. This depicts that the cooperatives have been in for a sizeable duration of time and thus they could have adopted appropriate strategies do increase their performance. The findings on analysis of length of operation of the cooperative have been presented on Table 2.

Duration	Frequency	Percentage
Less than one (1) year	1	3.2%
Between 1 and 5 years	6	19.4%
Between 6 and 10 years	16	51.6%
Between 11 and 15 years	5	16.1%
Over 15 years	3	9.7%
Total	31	100

Table 2: Length of Operation of the Cooperative

#### 4.2.3. Employees in the Cooperative

The respondents were requested to indicate the number of people employed by the cooperative. From the findings majority (56%) of the respondents indicated that the number of people employed by their cooperative was between 50-100, 23% indicated less than 50 people, while 21% indicated over 100 people. This depicts that majority of the cooperatives had employed people between 50-100 and this could have facilitated the level of adoption of business strategies which could have an impact on the performance. Cazzuffi and Moradi (2010) argue that large membership size creates economies of scale while on the other hand it brings about group interaction problems. The findings on analysis of respondent's level of education have been presented on Figure 3.

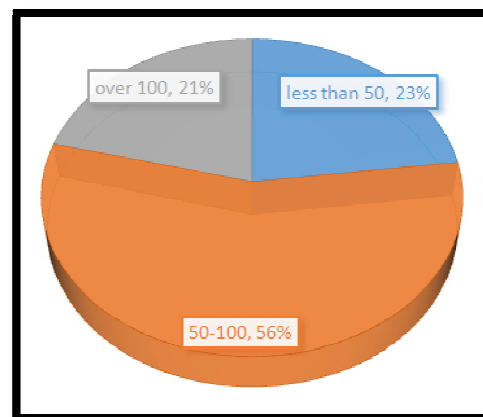


Figure 3: Employees in the Cooperative

#### 4.3 Innovation Strategy

According to the respondents the organization has adopted mobile applications, portals, and mobile money services to facilitate the speedy delivery of services to the customers that has led to the improvement in performance. The respondents further indicated that the adoption of innovation facilitated agility, flexibility and the speed of achieving organization goals and customer satisfaction.

##### 4.3.1. Extent of Agreement on Innovation Strategy

The respondents were requested to indicate the extent to which they agree with statements on innovation strategy. The responses were placed on a five Likert scale where 1=strongly disagree, 2-disagree, 3-moderate, 4=agree, while 5=strongly agree. From the findings the respondents agreed that innovation strategies are crucial ingredients in ensuring organizational survival and enhance its relevance in their business environment and for proper strategic management (mean=4.24), followed by innovations are adapted to respond to changes in tastes, demand, performance level demands and organization growth needs (mean=4.18), the innovation strategies are consultative, considers the environment and is interactive seeking to facilitate the organization in the accomplishment of its short and long term objectives (mean=4.12), adoption of innovative strategies improves product innovation and hence organization performance (mean=4.05), and that innovative strategies push firms to look beyond the organization, industry or geographical location and come up with business models that are creative and competitive (mean=3.9). This depicts that innovation strategies are crucial ingredients in ensuring organizational survival and enhance its relevance in their business environment and for proper strategic management. According to Porter (2014), innovation strategies occur as a result of the need to create competitive advantage and that a strategy cannot be innovative if it does not lead to competitive advantage in a specific industry improve organization capabilities and resources (Polder, Leeuwen, Mohnen, & Raymond, 2010). Firms can use innovations strategically to address changes in the local as well as global business environment. Innovations can also be adapted to respond to changes in tastes, demand, performance level demands and organization growth needs. The findings are shown in the table 4.3.

Statements	Mean	Std. Dev
The innovation strategies are consultative, considers the environment and is interactive seeking to facilitate the organization in the accomplishment of its short- and long-term objectives	4.12	0.2139
Innovative strategies push firms to look beyond the organization, industry or geographical location and come up with business models that are creative and competitive	3.90	0.2104
Innovations are adapted to respond to changes in tastes, demand, performance level demands and organization growth needs	4.18	0.1963
Innovation strategies are crucial ingredients in ensuring organizational survival and enhance its relevance in their business environment and for proper strategic management	4.24	0.2009
Adoption of innovative strategies improves product innovation and hence organization performance	4.05	0.2210

Table 3: Extent of Agreement on Innovation Strategy

#### 4.4. Organization Performance

The respondents were requested to provide figures for the various parameters during the last five years. From the findings the respondents indicated that in relation to the return on assets there was an increase from 24% to 35%. In the year 2017 the return on assets decreased to 28% but in the subsequent year there an increase from 28% to 35%. In relation to the productivity a similar trend was observed where there an increase in the first three years from 15% to 27%. In the year 2017 a decrease to 19% was observed which was seen to change to 27% in the subsequent year. This depicts that the firm were on the right track as depicted by the statistics. The findings are as shown in table 4.4

Parameter	2014	2015	2016	2017	2018
Return on Assets	23%	29%	33%	28%	35%
Productivity	15%	17%	22%	19%	27%

Table 4: Figures of Parameters During the Last Five Years

#### 4.5. Correlation Analysis

Correlational analysis using Pearson's product moment technique was done to determine the relationship between business level strategies and performance of investment cooperatives in Kenya. Results of the correlation are presented in Table 4.5.

	Performance		Innovation strategy	
Performance	Pearson Correlation		.277	
	Sig. (2-tailed)		.001	
Innovation strategy	Pearson Correlation	.277	1	
	Sig. (2-tailed)	.001		
	N	31	31	

Table 5: Correlation Between Business Level Strategies and Performance of Investment Cooperatives in Kenya

Table 4.5 shows a significant and positive relationship between innovation strategy and performance of investment cooperatives in Kenya ( $r = .277^{**}$ ,  $p$ -value  $< 0.05$ ) thus, depicting that innovation strategy have a significant positive relationship to the performance of investment cooperatives in Kenya. The study findings are consistent with that of Oyedijo (2012) while researching on Nigerian companies and found that firms undertaking innovation strategies were found to outperform and grow faster than those that attempt to pursue other strategies.

#### 4.6. Regression Analysis

The study utilized multiple regression analysis to find out the relationship between the predictor variables and performance of investment cooperatives in Kenya. The study utilized SPSS version 24 to generate output of the regression statistics after cleaning and coding data from the field. The coefficient of determination was used to explain how the change in the dependent variable can be explained by the change in the independent variables. The dependent variable for the current study was performance of investment cooperatives in Kenya while the independent variables were cost leadership strategy, differentiation strategy, innovation strategy, and focus strategy.

The table below provides the model summary of the relationship between the innovation strategy and performance of investment cooperatives in Kenya. The findings are as shown in table 4.6

Model	R	R Square	Adj. R Square	Std. Error of the Estimate	F	P-value
1	0.89	.792	.742	.312	31.341	.001

Table 6: Model Summary

a. Predictors: (Constant), innovation strategy, and focus strategy.

b. Dependent Variable: Performance of investment cooperatives in Kenya

From the results in the table  $R^2 = 0.792$  that is 79.2% disparity in performance of investment cooperatives in Kenya is explained by innovation strategy. However, this implies that 20.8% unexplained difference in performance of investment cooperatives in Kenya is as a result of other unrepresented determinants not covered in the regression model. From the results in the table a significant relationship was established which is indicated by the variables as depicted by  $R^2 = 0.792$  that is 79.2% which shows that a significant relationship exists between the independent variables and the performance of investment cooperatives in Kenya. This agrees with the findings of Dess and Robinson (2014) who shows that innovation indicators positively affect performance. In addition, performance is therefore intertwined within the goals of a cooperative and the various parameters that guides its operations.

The ANOVA results in table 4.7 shows the relationship between the innovation strategy and performance of investment cooperatives in Kenya. The significance value is 0.002 which is less than 0.05 thus the model is statistically significance in predicting how the factors (cost leadership strategy, differentiation strategy, innovation strategy, and focus strategy) impact the performance of investment cooperatives in Kenya. The F critical at 5% level of significance was 3.123. Since F calculated is greater than the F critical (value = 25.185), this shows that the overall model was significant.



Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.492	4	3.123	25.185	.002 <sup>a</sup>
	Residual	3.224	26	.124		
	Total	15.716	30			

Table 7: ANOVA of the Regression

- a. Predictors: (Constant), Cost Leadership Strategy, Differentiation Strategy, Innovation Strategy and Focus Strategy
- b. Dependent Variable: Performance of Investment Cooperatives in Kenya

Table 4.8 provides the coefficient of determination on the relationship between the innovation strategy and the performance of investment cooperatives in Kenya. The table provides individual significance contribution of the strategy to performance of the investment cooperatives in Kenya. Simple regression analysis was conducted as to determine the performance of investment cooperatives in Kenya

	Unstandardized		Standardized		Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta	T	
Model 1 (Constant)	0.289	0.116		2.491	0.005
Innovation strategy	0.245	0.106	0.413	2.31	0.001

Table 8: Coefficient of Determination

- a. Dependent Variable: performance of investment cooperatives in Kenya

From the regression results, the regression model followed equation in the form:

$$Y = 0.289 + 0.319 + 0.287 + 0.245 + 0.229 + \epsilon$$

From the regression taking the independent variable at constant (innovation strategy) constant at zero, performance of investment cooperatives in Kenya was 0.289. The data findings analyzed also imply that taking the innovation strategy zero, a unit increase in innovation strategy will lead to 0.245 times increase in performance of investment cooperatives in Kenya. This infers that at 5% level of significance, innovation strategy, has a significant contribution on performance of investment cooperatives in Kenya. The findings agree with a study by Clarke, (2013) and Harrington et al, (2014) who stated that performance of investment cooperatives is seen as improved product quality, productivity, technical efficiency, service capabilities of an organization and sustained returns. All types are seen as enabled innovation strategies. This is facilitated by various business level strategies which include cost leadership, differentiation, innovations, and focus strategies. This indicates that the performance indicators of different cooperatives are varied, and best describes the performance of different cooperatives. Dess and Robinson (2014), show that economic indicators of performance such as return on capital and growth on sales can be used to measure performance. Performance is therefore intertwined within the goals of a cooperative.

## 5. Summary, Conclusions and Recommendations

### 5.1. Summary of Findings

The study found that organization has adopted mobile applications, portals, and mobile money services to facilitate the speedy delivery of services to the customers that has led to the improvement in performance. The study also found that adoption of innovation facilitated agility, flexibility and the speed of achieving organization goals and customer satisfaction. The study also found that innovation strategies are crucial ingredients in ensuring organizational survival and enhance its relevance in their business environment and for proper strategic management. The study found that the adoption of new innovation stamps market relevance, product specificity, and transforms life experiences.

### 5.2. Conclusions of the Study

The study concluded that that organization has adopted mobile applications, portals, and mobile money services to facilitate the speedy delivery of services to the customers that has led to the improvement in performance. The study also concluded that adoption of innovation facilitated agility, flexibility and the speed of achieving organization goals and customer satisfaction.

### 5.3. Recommendations

The study recommends that business level strategies should be formulated with performance in mind for cooperatives in Kenya. Cost, quality, flexibility and speed of provision of services should be considered to a great extent when formulating business level strategies as found out in the study. The study also recommends that relationship between business level strategies and performance of investment cooperatives in Kenya should be enhanced to improve overall performance. The study finally recommended that there are many challenges that cooperatives experience in aligning business level strategies and performance and therefore organizational synergy is needed to improve the relationship.

#### 5.4. Areas of Further Study

This study only examined specific study business strategies that influence the performance of investment cooperatives in Kenya. However, there are other variables that are location specific, size of the cooperative which also contribute to the performance of investment cooperatives in Kenya. Hence it is recommended that further research be done to identify and examine additional business strategies that affect the performance of investment cooperatives in Kenya not only in Kenya but in other companies regionally and internationally.

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