EFFECTS OF INNOVATION ORIENTATION ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF NATIONAL BANK OF KENYA

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ABSTRACT

Innovations constitute an indispensable component of the corporate strategies for several reasons such as to apply more productive manufacturing processes, to perform better in the market, to seek positive reputation in customers’ perception and as a result to gain sustainable competitive advantage. The main objective of this study was to investigate the effects of innovation orientation on financial performance of commercial banks in Kenya: a case of National Bank of Kenya. The specific objectives were to establish the effects of process innovation, technology innovations, market innovations and value innovations on financial performance of commercial banks in Kenya. The study used census sampling to collect data from all 10 managers, 13 assistant managers and 14 officers. Stratified sampling was used to obtain a sample of 37 respondents from three sections of the National Bank of Kenya. Reliability analysis was done through piloting the instrument at the National Bank headquarters. Cronbach alpha coefficient was used to test reliability. Validity was ensured through discussion with the experts including supervisors and colleagues. Primary data was collected and analyzed using quantitative and qualitative techniques and then presented using narratives, tables and graphs. Secondary data was also obtained from journals and the National Bank of Kenya data base. Data collected was analyzed using SPSS (Statistical Package for Social Sciences). Descriptive statistics and inferential statistics were used. This assisted in determining the level of influence the independent variables have on the dependent variable. The findings of this study were important not only to National Bank of Kenya but also to other commercial banks in Kenya as they would be able to know what innovations and innovation orientations to use in order to remain competitive and effective in the banking industry. In conclusion, process innovation influences financial performance. There is flexibility in application of process innovation and there is product success in embracing process innovation. Process innovations leads to cost savings. From the study it can be concluded that technology innovation leads to higher profitability. There is fixed expenses in technology innovation. Marketing innovation and value innovation enhances financial performance. The commercial banks through the Ministry of Finance should be enlightened on the importance of process innovation on realization of better financial performance. They should be provided with a variety of innovation they can venture.
Keywords: Innovation Orientation on Financial Performance

Introduction

Innovativeness is one of the fundamental instruments of growth strategies to enter new markets, to increase the existing market share and to provide the company with a competitive edge. Motivated by the increasing competition in global markets, companies have started to grasp the importance of innovation, since swiftly changing technologies and severe global competition rapidly erode the value added of existing products and services. Thus, innovations constitute an indispensable component of the corporate strategies for several reasons such as to apply more productive manufacturing processes, to perform better in the market, to seek positive reputation in customers’ perception and as a result to gain sustainable competitive advantage. Particularly over the last two decades, innovativeness has turned into an attractive area of study for those researchers who tried to define, categorize and investigate its performance impacts, especially due to its practical relevance. Innovations provide firms a strategic orientation to overcome the problems they encounter while striving to achieve sustainable competitive advantage (Drucker, 1985; Hitt et al., 2001; Kuratko et al., 2005).

An organization which is competing in fast changing markets with fast changing technology must make things happen, it must innovate. If it does not innovate it risks being overtaken by competitors. Sometimes a business underestimates the competitive challenges it faces. The risk of this happening is high when competitors react to potential challenges in much the same way (Abernathy and Utterback, 2005). In today’s global and dynamic competitive environment, product innovation is becoming more and more relevant, mainly as a result of three major trends: intense international competition, fragmented and demanding markets, and diverse and rapidly changing technologies (Wilkinson, 2003).

Firms that offer products that are adapted to the needs and want of target customers and that market them faster and more efficiently than their competitors are in a better position to create a sustainable competitive advantage (Wang et al, 2003). Competitive advantage is increasingly derived from knowledge and technological skills and experience in the creation of new products (Yasuharu, 2003; Tidd, 2001). Banking institutions must play a catalytic function to develop technological innovation-driven economy. The experience of developed countries has evidently demonstrated that a shift of government’s industrial policy-making towards a technological innovation-driven economic strategy is absolutely critical. Allegedly successful industrial policy performs an important function in fostering firms to inculcate a culture-based spirit of innovation and addresses firms’ concerns in the realm of innovation pursuits (Goh, 2002).

The importance of having a clearly defined new innovation strategy guiding the innovation process was recognized by Griffin (1997) and Cooper et al. (2003). Innovation strategy provides a clear direction and focuses the effort of the entire organization on a common innovation goal. For innovation to occur, something more than the generation of a creative idea or insight is required. The insight must be put into action to make a genuine difference, resulting for example in new or altered business processes within the organization, or changes in the products and services provided. This study focuses on the innovation orientation of organizations to realize business performance.
Innovation orientation is openness to new ideas as an aspect of a firm's culture. It implies a firm being proactive by exploring new opportunities rather than merely exploiting current strengths (Menguc and Auh, 2006) and, therefore, it is regarded as essential to an innovative effort capable of exceeding the customer's expectations. Chandler (2000) indicates that some innovations are built on existing products, services, or procedures, and are incremental in nature. Others involve greater degrees of difference and are more radical than incremental. Some innovators aim to be first, others aim for second place. The writer adds that a different dimension of innovations is the degree to which they imitate something already familiar. The domain of innovation orientation is delineated as a multidimensional knowledge structure and a framework for understanding innovation orientation and its consequences in an organizational context are developed.

The innovation orientation knowledge structure is composed of a learning philosophy, strategic direction, and trans-functional beliefs within an organization that define and direct the organizational strategies and actions toward specific innovation-enabling competencies and processes. These innovation-oriented firm competencies are in the areas of resource allocation, technology, employees, operations, and markets. The appropriately developed innovation-enabling competencies lead to innovation outcomes, specifically ideal innovation form, type, and rate that, in turn, affect firm performance. Beyond the direct relationship between innovation orientation and firm performance, research (Chen et al., 2009; Cohen, 2008; Eiadat et al., 2008; Theoharakis and Hooley, 2008; Zhou et al. 2008) has also suggested that innovation orientation mediates the relationship between market orientation and firm performance. Innovative firms may employ new technologies and processes to enhance their marketing effectiveness. It can be argued that innovation orientation should also mediate the relationship between a relationship orientation and firm performance. According to Berthon et al. (2004), empirical evidence suggests that innovation orientation have significant effects on corporate performance, and they noted that innovation orientation cannot be reduced to market orientation, or vice versa. Innovation orientation has received considerable attention in management literature, and when considered separately, both concepts are demonstrated to have positive implications for business performance. Innovation orientation builds on a philosophy (Berthon et al., 2004) suggesting that customers will prefer superior and innovative products and services.

Statement of the Problem

The role of innovation orientations on efficiency and cost reductions in the banking sector is paramount to the successful and profitable service delivery in the sector. According to Yasuharu (2003) innovation orientations play a significant role in improving the efficiency of the banking sector as well as reducing the costs of banking transactions for customers. The banking sector has, for the past decade, witnessed various improvements and new innovation orientations with the main purpose of improving the service delivery of the banking sector. A fundamental assumption of much recent research in operations improvement and operations learning has been that innovation orientations has a direct bearing on performance improvements (Bijker et al, 2007). Strategic management in the banking sector demand that banks should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved through innovation orientations. Only those organizations that is able to adapt to the changing environment and adopt new ideas and ways of doing business that can be guaranteed hope of survival.
Some of the forces of change that have greatly influenced the performance of commercial banks include mainly innovations adoption. According to Goh (2002) there are numerous barriers to innovation in developing nations. The developing countries with low literacy rates and weak higher educational systems often face a great deal of difficulties assimilating new technologies for innovation development as they lack the essential human capital to leverage on technological developments, scientific knowledge and technical skills. There is also inadequate intellectual property rights protection often create a disincentive for banks to engage in innovation development through research and development (R&D), as the economic spin-offs associated with their innovation efforts are diminished very quickly once made available in the public domain. The innovation orientations projects often involve high risks, long gestation periods and therefore require huge amounts of financial resources to share risks and costs, and hence restrictive ownership policies on direct investments often hamper private sector or foreign participation in innovation orientations (Roehm and Sternthal, 2001).

Most prior innovation research has focused on factors that affect innovations, primarily rate, speed and benefits. Much attention has been paid to the importance of innovation in ensuring the survival and growth of companies. More recent research has examined innovation as a system-based, firm-wide orientation toward innovation. Along with this broader perspective comes a need for understanding outcomes of the innovation orientation in the developing countries. To the best of the researcher’s knowledge, there is no local study that has investigated the effects of innovation orientation on financial performance of commercial banks in emerging markets hence the research gap. The profitability of Kenya’s banking industry in the recent past has been a subject of public interest and debate. The industry posted KSh 89.5 billion pre-tax profits in 2011, a 20.5 per cent increase from 2010’s KSh74.3 billion (CBK 2011). While the profit growth has also been helped by a steady growth in the customer base over the past four years from 4.7 million to 15.7 million, a report by the Central Bank of Kenya on ‘Developments in the Kenya Banking Sector for quarter ended March 31, 2012’ indicates that this trend of profitability is equally largely attributed to product diversification by banks (KBA, 2012). This study focused on innovation orientation in commercial banks is a modest attempt to bridge this gap. It is an effort to bring to light the influence and insights into effects of innovation orientation on financial performance of commercial banks where the National Bank of Kenya will be the context of focus.

Specific Objectives

The specific objectives of this study were:

1. To establish the effects of process innovation on financial performance of commercial banks in Kenya.
2. To examine how technology innovations affects financial performance of commercial banks in Kenya.
3. To find out the extent to which market innovations affects financial performance of commercial banks in Kenya.
4. To assess the effect of value innovations on financial performance of commercial banks in Kenya.
Literature Review

Contingency Theory

This research was based on the contingency theory whose proponents are Kast and Rosenzweig (1985) to the study of commercial banks effects of innovation orientation on financial performance. The theory based upon the organismic analogy, views organizations as consisting of a series of interdependent subsystems, each of which has a function to perform within the context of the organization as a whole. This can be related to technology, quality customer service, employees motivation and marketing strategy that are can be used to as a strategic response to competition by commercial banks.

The human subsystem embraces the people in the organization, their leadership, and their motivation. Contingency theory assumes that each of the subsystems is open to a range of variation. Each should be designed so that it is congruent with the others and corresponds to the environment with which it is faced (Mentzer, 2001). The technology used in the organization will also have an important effect upon the subsystems and the organizational structure. Contingency theory additionally rests upon the open systems view that regards the organization as dependent upon the wider environment. The organization and environment are seen as being in a state of mutual influence and interdependence. The marketing strategy performance decides whether it survives or not, and is determined by the way the organization manages its relationship with the environment.

Contingency theorists Kast and Rosenzweig (1985) suggest that a leaner organizational structure and reduced red tape increase flexibility and facilitate the fit between intra-organizational processes and the environment. Economically, a key reason for downsizing is to reduce costs as organizations seek to maximize efficiency Zhang (2000) and business objectives can be best achieved with fewer employees. Several strategies seem pertinent, notably a cost leadership strategy which enables the organization to increase return on sales, or to increase market share through aggressive costing. Following staff downsizing the company can mute the leaner cost structure into competitive advantage (Mentzer, 2001) by increasing profitability or lowering prices, which will be expressed in increased market share.

Implementation Theory

This study was guided by implementation theory which is a component of mechanism design. It provides an analytical framework for situations where resources have to be allocated among agents/users but the information needed to make these allocation decisions is dispersed and privately held, and the agents/users possessing the private information behave strategically and are self-utility maximizers. In any situation where the information needed to make decisions is dispersed, it is necessary to have information exchange among the agents/users possessing the information. Allocation decisions are made after the information exchange process terminates. Implementation theory provides a systematic methodology for designing an information exchange process followed by an allocation rule that leads to allocation decisions that are “optimal” with respect to some pre-specified performance metric (Felix, 2009).

The key concept in the development of implementation theory is that of game form or mechanism. A game form/mechanism consists of two components: A message/strategy space, that is, a communication alphabet through which the agents/users exchange information with one
another. An allocation rule (called outcome function) that determines the allocations after the communication and information exchange process terminates Smith (2007). Most mechanisms employ monetary incentives and payments to achieve desirable resource allocations. In such cases, the outcome function specifies the resource allocations as well as the monetary incentives and payments.

Innovation Diffusion Theory
Mahajan and Peterson (1985) defined an innovation as any idea, object or practice that is perceived as new by members of the social system and defined the diffusion of innovation as the process by which the innovation is communicated through certain channels over time among members of social systems. Diffusion of innovation theory attempts to explain and describe the mechanisms of how new inventions in this case internet and mobile banking is adopted and becomes successful Clarke (1995). Sevcik (2004) stated that not all innovations are adopted even if they are good it may take a long time for an innovation to be adopted. He further stated that resistance to change may be a hindrance to diffusion of innovation although it might not stop the innovation it will slow it down.

Rogers (1995) identified five critical attributes that greatly influence the rate of adoption. These include relative advantage, compatibility, complexity, triability and observability. According to Rogers, the rate of adoption of new innovations will depend on how an organization perceives its relative advantage, compatibility, triability, observability and complexity. If an organization in Kenya observes the benefits of mobile and internet banking they will adopt these innovations given other factors such as the availability of the required tools. Adoption of such innovations will be faster in organizations that have internet access and information technology departments than in organizations without.

Theory of Information Production and Contemporary Banking Theory
Diamond (1984) suggested that economic agents may find it worthwhile to produce information about possible investment opportunities if this information is not free; for instance surplus units could incur substantial search costs if they were to seek out borrowers directly. There would be duplication of information production costs if there were no banks as surplus units would incur considerable expenses in seeking out the relevant information before they commit funds to a borrower. Banks enjoy economies of scale and have expertise in processing information related to deficit units (borrowers). They may obtain information upon first contact with borrowers but in real sense it’s more likely to be learned over time through repeated dealings with the borrower. As they develop this information they develop a credit rating and become experts in processing information. As a result they have an information advantage and depositors are willing to place funds with a bank knowing that this will be directed to the appropriate borrowers without the former having to incur information costs.

Bhattacharya and Thakor (1993) contemporary banking theory suggests that banks, together with other financial intermediaries are essential in the allocation of capital in the economy. This theory is centered on information asymmetry, an assumption that “different economic agents possess different pieces of information on relevant economic variables, in that agents will use this information for their own profit” (Freixas and Rochet 1988). Asymmetric information leads to adverse selection and moral hazard problems. Asymmetric information problem that occurs before the transaction occurs and is related to the lack of information about the lenders.
characteristics is known as adverse selection. Moral hazard takes place after the transaction occurs and is related with incentives by the lenders to behave opportunistically.

**Empirical Review**

Innovative performance especially in the form of new product success is linked in the literature to an increase in sales and market shares, since it contributes considerably to the satisfaction of existing customers and gaining of new customers (Wang and Wei, 2005). It is also possible to assert that in addition to new product success, success in marketing, process and organizational innovations together lead to a general increase in customer satisfaction and direct more customer attention towards the innovative firm.

Elements of production or operations performance, i.e. speed, quality, flexibility, and cost efficiency, seem to be highly related to the firm performance in administrative, process, and product innovations according to the past literature (Quadros et al., 2001). For instance, according to Koufteros and Marcoulides (2006) continuing efforts and higher performance in innovations foster organizational learning and increase the speed and quality of the operations. Thus accordingly technological advancements can easily be incorporated and any design or quality deficiencies are overcome faster than the competitors.

Moreover, López-Mielgo et al. (2009) reported that especially process innovations exert a positive influence on the total quality management efforts of the organizations. Beside the speed and quality aspects, innovative performance is also related to the two other elements of production performance; namely, flexibility and cost efficiency. Success in the renewal efforts especially in administrative mechanisms, production processes, and new products can contribute extensively to the dissemination of knowledge and effectiveness of coordination within the organization, which are necessary for operational flexibility and decreased related costs (Koufteros and Marcoulides, 2006). In this regard, Liu et al. (2009) confirm in an empirical study the positive relationship between operational flexibility and new product success. As for the production cost reduction effects, Peters (2008) purports that not all the process innovations lead to cost savings, but some do and allows the organization to market products at competitive prices. Therefore, we can argue that the production performance, which is the combination of the achievements in such performance indicators as speed, quality, flexibility, and cost efficiency, is positively affected by the innovative performance.

A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing (OECD Oslo Manual, 2005). Marketing innovations target at addressing customer needs better, opening up new markets, or newly positioning a firm’s product on the market with the intention of increasing firm’s sales. Marketing innovations are strongly related to pricing strategies, product package design properties, product placement and promotion activities along the lines of four P’s of marketing (Kotler, 1991).

Market innovation can be defined as a form of organizational culture where employees are committed to continuously create superior customer value, or as a sequence of marketing activities that lead to better performance. Years of research have concluded that market oriented companies perform better than companies that are less market oriented. They focus on adapting their products and services to the needs and expectations of their customers instead of those who are product oriented and focus on developing a product or service that is then marketed and
hopefully sold (Grönroos, 2006). To achieve this customer focus, a firm with a high degree of market orientation cultivates a set of shared values and beliefs about putting the customer first and reaps results in form of a defendable competitive advantage, decreased costs and increased profits (Desphandé, 1999). The market orientation concept focuses on coordinated business intelligence generation, dissemination and responsiveness to market information for efficient and effective decisions (Sundqvist, Puimalainen and Saminen, 2000). The concept is also concerned with issues including organizational culture, innovation, human resource planning and organizational learning (Keskin, 2006, Hooley).

Market orientation theorists such as Carr and Lopez (2007) have argued that market orientation traces its origins from the market concept and has consequences to overall business strategy. The marketing concept is concerned with customer-orientation, competition-orientation, innovation and profit as an inducement for creating satisfied customers (Narver and Slater, 1994; Hunt and Morgan, 1995). Market orientation has been widely accepted by scholars as the implementation of the marketing concept, as an organizational culture, or as a mix of those two (Greenley, 1995; Han, Kom and Srivastave, 1998). Others scholars argued that market oriented behavior in marketing new solutions leads to better performance, has positive effects on customer satisfaction and loyalty as well as innovation, employee satisfaction and cooperation (Schillewaert and Wei Hao, 2008).

Research Methodology

The study adopted descriptive survey aimed to investigate effects of innovation orientation on financial performance. A descriptive study was concerned with determining the frequency with which something occurs or the relationship between variables (Bryman and Bell, 2003). Thus, this approach was appropriate for this study, since the study intended to collect detailed information through descriptions and is useful for identifying variables.

Descriptive research has the advantage that the subject is observed in a completely natural and unchanged natural environment and that it allows respondents to respond in their time frame (Cooper and Schindler, 2003). Mugenda and Mugenda (1999) noted that a descriptive survey seeks to obtain information that describes existing phenomena by asking questions relating to individual perceptions and attitudes. A descriptive study was undertaken in order to ascertain and be able to describe the characteristics of the variable of interest in a situation (Kothari, 2004).

Data Analysis/Findings

Multiple Regression

Multiple regression was used to obtain an equation which describes the relationship between the dependent variable and independent variables based on the regression model. Technology innovation is positively related to financial performance and has the most statistically significant coefficient as indicated by a P value of 0.00 which is statistically significant at 5%. This means that technology as a factor of innovation affects financial performance. There is a positive relationship between financial performance and the technology innovation. Process innovation also has a statistically significant coefficient as indicated by a P value of 0.01 which is statistically significant at 5%. Process innovation is therefore contributing towards financial performance of National bank.
The market innovation is positively related to the financial performance. This is shown by the positive sign of the coefficient. The coefficient of innovation is also statistically significant as indicated by a P value of 0.02 which is statistically significant at 5%. On the value innovation, the study found out that it is also important in financial performance. This means that market innovation as a factor of innovation affects financial performance.

The regression was calculated using the basic regression model equation;
\[ FP = \beta_0 + \beta_1 PI + \beta_2 TI + \beta_3 MI + \beta_3 VI + \epsilon \]

Where;
- FP is the Financial Performance
- PI is the Process Innovation
- TI is the Technology Innovation
- MI is the Market Innovation
- VI is the Value Innovation
- \( \beta_0 \) is a constant which is the value of dependent variable when all the independent variables are 0.
- \( \beta_{1-3} \) is the regression coefficients or change induced by PI, TI, MI and VI on FP. It determines how much each (PI, TI, MI and VI) contribute to FP
- \( \epsilon \) is the error of prediction.

### Regression analysis of process innovation, technology innovation, market innovation and value innovation against financial performance index

#### Regression analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.642</td>
<td>.150</td>
</tr>
<tr>
<td>Process Innovation</td>
<td>1.237</td>
<td>.571</td>
</tr>
<tr>
<td>Technology Innovation</td>
<td>2.593</td>
<td>.358</td>
</tr>
<tr>
<td>Market Innovation</td>
<td>1.185</td>
<td>.481</td>
</tr>
<tr>
<td>Value Innovation</td>
<td>1.321</td>
<td>.397</td>
</tr>
</tbody>
</table>

Dependent variable: Financial performance

Hence the resultant regression model is:
\[ FP = \beta_0 + 1.237PI + 2.593TI + 1.185MI + 1.321VI + \epsilon \]
The regression model had a correlation coefficient ($R^2$) of 0.714 and an adjusted $R^2$ of 0.66. This means that process innovation, technology innovation, market innovation and value innovation explain 71.4 percent of the variations in financial performance. F test is used to test the significance of $R^2$, which is the same as testing the significance of the model as a whole with a probability of 0.00 at 5% significance level indicated that the joint contribution of the independent variables was significant in predicting the dependent variable.

### Regression model Summary

<table>
<thead>
<tr>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>.714</td>
<td>.66</td>
<td>.67298</td>
<td>3.470</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

The F-value of 2.871 with a P-value of 0.00 at 5% significance implied that the joint contribution of all the independent variables was significant in predicting the dependent variable.

### Anova

<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>Regression</td>
<td>48.356</td>
<td>19</td>
<td>14.5915</td>
<td>34.974</td>
<td>0.00(^b)</td>
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<tr>
<td>Residual</td>
<td>39.948</td>
<td>18</td>
<td>0.4172</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>88.304</td>
<td>37</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Discussion

Majority of the respondents 18 (50%) agreed that process innovation influences financial performance. Majority of the respondents 23 (62%) agreed that there is flexibility in application of process innovation, while 12 (32%) disagreed. Majority of the respondents 27 (72%) agreed that there is product success in embracing process innovation, while 9 (24%) disagreed. Majority of the respondents 27 (74%) agreed process innovations leading to cost savings, while 10 (26%) disagreed.

**Influence of technology innovations affects financial performance**

The findings showed that majority 21 (58%) of the respondents agreed that technology innovation leads to higher profitability, while 8 (21%) of the respondents disagreed. Majority 21 (58%) of the respondents agreed that there is fixed expenses in technology innovation, while, 12
(32%) disagreed. Majority 18 (50%) of the respondents agreed that technology innovation enhances non-interest income while 10 (27%) disagreed

Effect of market innovations on financial performance

From the findings, majority of the respondents 27 (76%) agreed that marketing innovation enhances financial performance. A few 9 (20%) disagreed that marketing innovation enhances financial performance. Majority 32 (87%) of the agreed that marketing strategy leads to opening up new while a few 5 (13%) disagreed to the statement. A majority 20 (55%) of the respondents agreed that market oriented companies performing better than others. while 11 (30%) disagreed. Majority of the respondents 26 (70%) agreed that customer focus being enhanced through marketing innovation, while 11 (30%) disagreed. Majority of the respondents 31 (84%) agreed that marketing innovation enhances effectiveness in decisions. A few 6 (16%) disagreed to the statement at the time of study.

Effect of value innovations on financial performance

Majority 28 (75%) of the respondents agreed that service delivery becomes better in value innovation, while 8 (22%) disagreed to the statement. Majority 23 (62%) of the respondents agreed that efficiency of a bank is enhanced by embracing value innovation, while 57 (27%) disagreed to the statement. Majority 21 (56%) of the respondents agreed that value creation is the real breakthrough for high performance. A few 12 (33%) disagreed to the statement. Majority, 24 (64%) of the respondents agreed that value innovation enhances financial performance. A few 10 (28%) disagreed.

Conclusions

In conclusion, process innovation influences financial performance. There is flexibility in application of process innovation and there is product success in embracing process innovation. Process innovations leads to cost savings. From the study it can be concluded that technology innovation leads to higher profitability. There is fixed expenses in technology innovation. Technology innovation enhances non-interest income. In conclusion, marketing innovation enhances financial performance. Marketing strategy leads to opening up new. Market oriented companies performing better than others. Customer focus is enhanced through marketing innovation, while marketing innovation enhances effectiveness in decisions. Value innovation enhances financial performance. Service delivery becomes better in value innovation. Efficiency of a bank is enhanced by embracing value innovation. Value creation is the real breakthrough for high performance.

Acknowledgement

I greatly appreciate my family for their moral support, patience and understanding. I thank my classmates for their moral support and encouragement. Sincere thanks to my supervisor Dr. Moronge Makori for his enabling guidance, patience, constructive criticism and personal interest in the progress of my study. I appreciate his availability in reading through the proposal and preparation towards my project. I will always remember his humbling remarks and academic input towards my proposal work.

May the almighty God bless all of them abundantly.
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