

**INNOVATION AND FIRM PERFORMANCE AMONG
INTERNET SERVICE PROVIDERS IN KENYA**

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DECLARATION

I hereby declare that this research project is my original work and has not been presented in any other institution.

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This research project has been submitted for examination with my approval as the University supervisor.

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ABBREVIATIONS AND ACRONYMS

CAK	Communication Authority of Kenya
ICDC	Industrial and Commercial Development Corporation
ICT	Information, Communication and Technology
IFMIS	Integrated Financial Management Information Systems
ISP	Internet Service Providers
IT	Information Technology
R&D	Research and Development
RBV	Resource Based View
ROA	Return on Assets
ROI	Return on Investments
TAM	Technology Acceptance Model

ABSTRACT

The ISP market in Kenya has seen changes occur in its environment. The technological, economic and legal changes have pushed providers towards a new way of thinking where innovations are being used to provide competitive advantage. Hence, the study sought to determine the effect of innovations on organization performance of internet service providers in Kenya. The study was informed by diffusion of innovation theory and Technology Acceptances Model (TAM). The target population of the current study is the top 6 ISPs that control more than 80% of the market and the bottom 6 ISP's. The six are: Safaricom, Airtel, Telkom, Access Kenya, Jamii Telecommunications and Zuku. This study used primary data collected using an interview guide. The targeted respondents in this study were managers of six largest ISPs in Kenya or their representatives. The researcher focused on the managers of these firms because they were involved in the management of the organizations and have a broad understanding of the affairs of their organizations. The researcher interviewed one respondent in each of the selected ISP firm giving a total of six interviews. The primary data collected in this study is qualitative data and it was analyzed using content analysis. Specifically, the results concluded that the ISP's organization performance had improved in-terms of as increased customer retention, increased customer satisfaction, customer loyalty, increased market share and improved efficiency. On an overall, the study concluded that innovations have led to improved profitability of their companies. Based on the study findings the study recommends that ISPs and other companies in the private sector should embrace adoption of innovations even the more. This is due to the fact that innovations impacts organization performance positively. This would thus result into improved performance through increased market share, customer loyalty, customer satisfaction and improved employee productivity. Since this study was qualitative, the study recommends that a similar study be conducted but adopt a quantitative approach. This would help to clearly define the magnitude of effect of innovations on organization performance. This would thus help companies to have an understanding on what type of innovation has greater impact on organization performance and thus aid in making informed decisions on what aspects they should put more emphasis on.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Drucker (2001) argues that innovation is part of strategy implementation that enhances organization performance through increased expansion and hazard decrease. Palmer and Kaplan (2007), also posits that innovations increase execution among numerous organizations and are reflected by expanded productivity and overall industry development. Yilmaz, Alpkın and Ergun (2005) also recognize innovation adoption as a critical enabler for organization's performance by creating value in the undeniably unpredictable and quickly evolving environment.

This study's theoretical foundation is built on technology acceptance model and the diffusion of innovation theory. Technology Acceptance Model (TAM) clarifies the way clients embrace and make use of an innovative idea. TAM was applied in this study to establish how technology acceptance influences innovation among Internet Service Providers (ISPs). Diffusion of innovation is how a new idea is communicated to members of a certain social system using a selected preference channel (Rogers, 1995). For it to be sustainable, an innovation has to be acceptable to a large number of people. The theory has been of use in the adoption of new innovation in business.

In Kenya, ISPs faces various external environment challenges like social cultural changes, economic changes, technological changes and competition which are serious threats to them. These challenges necessitate the Industry to have continuous innovations that are able to address the dynamics and the radical changes that are likely to happen (CAK, 2018). Although the number of internet subscribers have been on the rise, so is the number of providers and therefore a need to continuously innovate for improved performance and survive in the competitive industry.

1.1.1 Concept of Innovation

Pisano and Teece (2011) define innovation as an act of introducing new ways of doing things that are more efficient and effective. Innovation practices involve use of improved

ways to address changing customer needs. Yahya and Marwan (2011) indicate that organizations implement innovation practices to add value to products and services offered to customers. There are three kinds of innovations namely product, process and market. Product innovation entails creating products or services or developing of existing products or services. Process innovation entails adopting new approaches (methods) of doing things to enable the organization to remain competitive and continuously meet customer demands. Market innovation involves improving mix of target markets and ways in which these markets are served in order to widen access to products and services through new distribution process in both local and foreign markets (Saemundsson & Candi, 2014).

Frankelius (2009) indicate that organisations practice innovation to meet customer needs and expectations. Collins and Porras (2011) explain that innovation enhances product quality and customer satisfaction through customizing products or services to match customer needs. It also differentiates product or services to effectively accommodate mass market and boost consumption of products and services. Innovation aims at achieving the needs of customers through offering more competitive products and services while differentiation is intended to increase access to quality products and services at competitive prices (Jimenez & Sanz-Valle, 2011).

Success in innovation depends on firm capacity to own resources such as human, equipment and information and effectively managing these resources to achieve certain goals. Technology and research and development are perceived as important elements that support innovation strategy. For instance, an innovation that is designed by a high-technology business may involve the use of new management, new production processes and procedures and use of modern technology (OECD, 2005). Cho and Pucik (2005) contend that innovation strategy aims at creating value for products and services offered by the firm.

1.1.2 Firm Performance

According to Richard, Yip, Johnson and Devinne (2009), firm performance is organization's ability to attain its mission by having proper management, governance,

and continuous rededication to results attainment. Efficient non-profits are adaptable, driven by mission, entrepreneurial, focused to the customer, sustainable and outcome oriented. The initiative of firm performance enables the organization to adjust to increased levels of uncertainty which hinder the attainment of its mission. This initiative seeks to help each organization in every sector of the economy, businesses, charitable organizations and government. The performance of an organization can be measured through examination of the activities it conducts so as to attain its goals. The most notable aspects that can be used to gauge the performance of an organization are the outputs and their effects (Valmohammadi & Servati, 2011).

No consensus has been reached on the best or even the most sufficient measure of firm performance. This is because, there are many varied views of what desirable outcome of organizational effectiveness and because performance is often characterized by theory and research purposes being performed. Performance measurement focuses on the internal processes to determine efficiency and the effectiveness of an action with a given set of metrics. Performance measurement indicators will act as proxies for various phenomena in the organization (Henri, 2003).

Some use financial measures as a criterion to judge the success or fail of a decision or action. Richard et al., (2009), stipulates that performance of an organization covers three specific firm outcome areas: the financial performance that is profits, product market performance that is sales, ROI, ROA, market share and shareholder return that includes economic value added and total shareholder return. There are, however, challenges in using these measures; for starters most managers are unwilling to allow researchers access their financial records, most studies that are available rely on perceived results rather than actual results. Other challenges to using financial measures include; savings are inconsistent from year to year and constantly changing environments make it challenging to compare savings (Bryce & Useem, 1998).

1.1.3 Internet Service Providers in Kenya

In Kenyan economic growth, internet service providers are of great significance. Mobile Internet service has a growing effect on the livelihood of citizen, business customer and

other business through efficiency and competitiveness of the country based on performing economy. The Communications Authority of Kenya (CAK) is the body tasked with regulating the entire telecommunication industry which includes the internet service providers. According to CAK (2018), there are currently 30 ISPs out of which 6 control more than 80% of the market. The six are: Safaricom, Airtel, Telkom, Access Kenya, Jamii Telecommunications and Zuku.

The ISP industry has also been hit by economic challenges and the entry of new entrants into the market. Most ISPs have seen their profits dip owing to entry of new entrants into the market and existence of alternative products and services. These alternative products and services have been mostly through the mobile phone companies who offer 3G and 4G internet access. These companies have eaten into the market share of ISP thus resulting in a reduction in profit. The voice market has experienced slow growth of revenues which has made the mobile operators to diversify to other markets in the ICTs industry with data market being one of them. The mobile operators are aggressively engaging in the market and have deployed wireless broadband mobile networks with high speed of up to 21 Mbps (CAK, 2018).

Another change has been that of the entry of the undersea fibre cable systems such as SEACOM, TEAMS and EASSY that opened up the country to high speed internet access and higher bandwidth capacities. The entry of these cables led to reduction on the use of VSAT as the route to the internet. The entry of the undersea cables brought about technological challenges such as how to integrate the fibre capacity onto their networks and also upgrade of their existing infrastructures (CAK, 2017).

1.2 Research Problem

A key assumption of most research work done on the improvement of operations has been that innovations adoption is directly proportional to improvements in performance (Upton & Kim, 1999). The process of innovation adoption and implementation forms a critical part in the growth of many nations. A change of past techniques and adoption of local technology similar to that of more advanced industrialized nations lead to indigenous innovations (Roehm & Sternthal, 2001). The advancement in innovations has

made some tasks more efficient and cheaper but it also has its fair share of challenges (Aladwani, 2001). This entails a review of the effect of innovations adoption have on performance of firms.

The ISP market in Kenya has seen changes occur in its environment. The technological, economic and legal changes have pushed providers towards a new way of thinking where innovations are being used to provide competitive advantage. The ISPs in Kenya are seeing different forces that put the different firms at the risk of closing shop and have responded with different strategies. As indicated in CAK financial report for the year 2016-2017 the increase in number of issued licenses means that there are more players in the market. The entry of the voice players into the data market has reduced the market share of the internet service provider firms. This entry has also offered consumers different alternative means of internet access. Even though this entry might sound to be gloomy the number of internet service subscriptions continue to grow meaning there is still a considerable number of the population requiring the services. This has meant that the ISP industry players have had to change tact and come up with new strategies for survival, expansion and capture of further market share.

Despite the potential benefits of innovations, there is debate about whether and how their adoption improves organizational performance (Mabrouk & Mamoghli, 2010). Hafeez (2013) in his study identified that value added innovativeness in a company has a positive relationship to its profitability. Worch and Truffer (2012) revealed that operations innovations maximize the value of a firm and increases its productivity. Odhiambo (2008) found out that Standard Chartered Firm (Kenya) limited bank had an increase in profitability over years which was attributed to innovativeness in terms of customers, products and technology. Another study by Kiraka, Kobia and Katwalo (2013) showed that innovations in products, processes, positioning and paradigms had a positive relationships with performance of some micro and small enterprises. Kiiyuru (2014) also found out that through market innovation strategies like pricing, customer satisfaction, resource availability commercial banks in Kenya had employed value creation.

Kiggima (2018) focused on the effect of technological innovations and performance of MSEs in Nairobi County, Kenya. The study was based on resourced based view theory and diffusion of innovation theory. This study differs from the current study in that it was quantitative in nature carried out using a descriptive research design while the current study is quantitative. In addition, the study was conducted in a different context from the current study. Mutie (2018) focused on technological innovations and performance of government agencies in Kenya basing the study on both resource based view theory and TAM. Although the study is closely related to the current study, it only focused on technological innovations leaving a gap on other types of innovations. In addition, it was quantitative in nature carried out among government agencies while the current study will be qualitative in nature carried among ISPs in Kenya.

Waweru (2018) focused on the innovations and performance of agricultural firms listed at the NSE basing it on resource based view and TAM. Although this study was qualitative in nature like the current study, it was conducted in a different context and therefore its findings cannot be generalized in the current context. From the foregoing, most of the studies conducted on innovations have concentrated on developed countries (Worch & Truffer, 2012; Hafeez, 2013). The few studies conducted locally have not been exhaustive as they have dealt with some aspects of innovations and different contexts (Kiggima, 2018; Mutie, 2018; Waweru, 2018). This study sought to this literature gap by answering the research question; what is the effect of innovations on organizational performance of internet service providers in Kenya?

1.3 Research Objectives

The study sought to determine the effect of innovations on organization performance of internet service providers in Kenya.

1.4 Value of the Study

This study contributes significantly to theory as it will help confirm whether indeed the hypothesized relationship among variables indeed holds. This study may be significant in terms of future references to future academicians. The study may identify further areas of

research by highlighting related topics critiquing to identify research gaps. The study contributes significantly to innovations among ISPs and generally the telecommunication industry.

Policy makers maybe enlightened by the study findings, by showing them how technological innovations adoption influence organizational performance of ISPs and thereby find mechanisms that the regulators can use to improve performance of the firms and consequently assist the attainment of economic goals and development of Vision 2030. Firms that have not adopted innovations will be assisted by this study. Managers in charge of these firms can be assisted by this study whereby they are able to determine innovations that fit for them to enable enhancement of growth and Performance of their organizations.

Various findings of this study may become a basis on which effective innovative practices may be implemented. The Kenyan government can also be assisted when formulating and implementing policies for better performance. ISPs will realize benefits from this study and find more ways in which they can realize extra benefits that would enable them operate and perform optimally.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter covers theoretical and empirical review of literature on innovations, firm performance and their relationship. The chapter begins by discussing the theories underpinning these concepts, review of empirical literature on the concepts showing similarities and contradictions and the research gaps.

2.2 Theoretical Foundation

Literature review basically identifies and examines the work done by other researchers and scholars concerning the study variables among internet service providing firms. This review provides detailed knowledge of what has been done and act as a basis upon which the study findings were interpreted and also to overcome the previous studies' limitations. The following section describes and discuss different theories such as diffusion of innovation theory and Technology Acceptances Model (TAM).

2.2.1 Diffusion of Innovation Theory

This theory was pioneered by Rogers (1995). According to Mahajan and Peterson (1985), an innovation is any idea, practice or object that is that is introduced into a social system for the first time whereas innovation diffusion is the process through which the innovation is relayed by the use of selected channels over a period of time within a social system. In this context, this theory seeks to describe the manner in which new inventions such as mobile banking and internet banking are adopted and used within a social system (Clarke, 1995).

According to Sevcik (2004), the innovation adoption process is not instant but takes time. He further argues that diffusion of innovation is influenced by resistance to change since it slows down the innovation adoption process. Innovation adoption process is influenced by five major attributes namely relative advantage, compatibility, complexity, observability and triability (Rogers, 1995). Rogers argues that the level of new

innovations adoption depends on the manner in which new organization perceives its relative advantage, triability, compatibility, complexity and observability. If a Kenyan organization observes the benefits of internet banking, then this innovation was adopted when other prerequisite tools are available. Innovation adoption is faster in organizations with information technology departments and internet access as opposed to those without. The theory relates to the current study as it explains how innovations are adopted in organizations.

2.2.2 The Technology Acceptance Model

This model was pioneered by Davis (1989)). This model covers the adoption behavior of customers an assessment of which is usually made in order to determine a system to be used which will both be useful and convenient to the customers. Previous authors researched on the fundamental construct of TAMs validity in forecasting the acceptance of individual's concluded that TAMs fundamental construct does not explain how user's acceptance is impacted upon by technology and other usability factors (Moon & Kim, 2015). Davis (1989) contends that expected usefulness refers to the belief by an individual that the technology or information system adopted will significantly improve job performance after its adoption. Perceived effortlessness of use indicates how easy it is for the individual to learn how to operate the new technology and information system. The model puts an emphasis on simplicity of use as a way to predict the usefulness of a system (Gefen, Karahanna & Straub, 2013).

Pikkarainen, Pikkarainen, Karjaluoto and Pahnla (2014) carried out a survey in Finland to establish the actual impact of perceived usefulness and concluded that it endeared use of inventive, autonomous, self-service and user friendly technologies to users through the banking system to provide financial services to clients in the twenty first century. Evidence points at how importance the perceived usefulness of a technology is in the intent to adopt it. Tan and Teo (2013) posit that the perceived usefulness of a technology will influence its adaptation. In conclusion, the higher the perceived usefulness of using technological innovations, the greater the chances that innovations will be adopted for use (Potaloglu & Ekin, 2015). The major drivers of innovations acceptance are viewed as

the TAM variables which include the aspects of perceived ease of use and perceived usefulness.

2.3 Innovations and Firm Performance

Munyoroku (2014) found posit that efficient operational process requires a firms to invest a lot in technologies which in turn results to enhanced internal efficiencies and majorly result to success of firms. It is therefore important for technological innovation strategies implemented by firms to help in identification and exploration of new revenue generation opportunities and increase customer satisfaction by reliable delivery.

Adoptions of systems like ERP Systems that are capable of supporting and enhancing processes involved in productions are some of Technological innovation strategies (Valacich & Schneider, 2012). McAdam and Keogh (2004) opined in their research that organizations that embrace technological innovations have a competitive edge over their competitors. Other scholars however, suggested that product acceptance and proper timing is the best measure of how innovation contributes to performance.

Kantor (2001) is of the opinion that technological innovation is key factor in economic progress of any country as well as in gaining competitive advantage for different industries. A crucial role for both large firms, medium, small and micro is played by innovation (WladawskyBerger, 2008). Kemp (2003) maintains that innovation has been one of the best competitive weapon in an organization and is renowned as a business's core. It is also considered by Ruttan (1984) as a very effective means to progress business' productivity should there be resource limitations.

Onikoyi (2017) did a survey on the impact that product innovation had on operational performance of Nestle in Nigeria. An interview of 340 management personnel was carried out in the following departments, marketing, research and development, sales, production and quality and control. Choice of these departments was because they were highly involved in processes of product innovation. Regression and correlation methods of analysis were applied and the outcome revealed that product innovation enhanced organizational performance. Consumers pointed out that product innovation was distinct

and favourable. This study limited itself solely on product innovation while the current study is focusing on product, process and market innovations.

Ndesaulwa and Kikula (2016) explored the effect that innovation had on SMEs performance in Tanzania with the help of a survey design. A population of 500 sampled SMEs in Dar es Salaam was studied and both raw and published sources of data were used. A regression equation was employed for testing the connection amid innovation and SMEs' performance while descriptive statistics was used in analyzing the trend of the variables. Innovation and performance were found to have a positive connection.

Carroll (2016) researched on the effect of adoption of IT innovation in service industry. The findings concluded that Firms embraces technology with suspicion believing that it will enhance delivered of services and better the performance for example perceived relationship between technology and progress. The findings also revealed that outsourcing technological services and accountability was perceived as way of shifting blame for service failures.

In Kenya a study done by Ngugi, Mcorege and Karanja (2013) found that relationship existed between innovation and performance. Their findings were that innovative SMEs agreed that through innovative activities such as product innovativeness, process innovativeness, and marketing innovativeness, SMEs increased their revenue and clients. According to that study in garment making, SMEs using a descriptive design confirmed that innovation strategy is an important element if an SME wants to survive without which it cannot due to the massive competitiveness experienced in the industries. The study reflected SMEs in manufacturing firms only in Nairobi Count and therefore it cannot represent ISPs in Kenya.

A study by Kiraka, Kobia and Katwalo (2013) on innovation adoption and small, micro and medium enterprises in Kenya and he found out the growth was more significant in those MSEs that embraced innovation and came up with new ideas. He however noted that not all innovative activities were successful, some faced rejection from the markets where consumers maintained status quo and were always afraid to try new products and hence stuck to what they already believed in.

The study by Mabrouk and Mamoghli (2010) asserts that as the innovation process continues overtime, banks considered to be innovative will be able to continue enjoying attractive returns on the newer or improved products. However, supernormal profits will decrease following widespread adoption of the new technologies. Grundiche (2004) argued that for a firm to ensure that it remains competitive in a dynamic environment and achieve its set objectives of profitability, sales volume and market share, it must make efforts to continually improve products and product lines to satisfy customer desires and needs that keep changing. The reasons that drive new product development as mentioned by most business persons include growth in the corporation, diversification, and the search for a competitive edge over competition. They further add that the main reason for developing new products is to explore other new opportunities since new products enhance the firms' survival in the long run growth.

2.4 Summary of Literature Review and Knowledge Gaps

In these theoretical review two theories namely the diffusion of innovation theory and the technology acceptance model have been discussed. Various empirical studies also have been conducted locally as well as international on innovation and organizational performance and discussed in this chapter.

The above literature review indicates that little research has been done in the establishment of the relationship between technological innovation and enterprise performance thus more studies need to be done. This study seeks to clearly demonstrate the association between innovations and performance among internet service providers in Kenya after which the conclusions will be dispelled after obtaining empirical evidence from the research. Local studies done (Kiraka et al., 2013; Odhiambo, 2008; Ngugi et al., 2013) are not conclusive in their findings and it is this gap that the current study intends to fill.

Waweru (2018) focused on the innovations and performance of agricultural firms listed at the NSE basing it on resource based view and TAM. Although this study was qualitative in nature like the current study, it was conducted in a different context and therefore its findings cannot be generalized in the current context. From the foregoing, most of the

studies conducted on innovations have concentrated on developed countries (Worch & Truffer, 2012; Hafeez, 2013). The few studies conducted locally have not been exhaustive as they have dealt with some aspects of innovations and different contexts (Kiggima, 2018; Mutie, 2018; Waweru, 2018). This study sought to fill this literature gap by answering the research question; what is the effect of innovations on organizational performance of internet service providers in Kenya?

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In order to establish the alignment between the study variables, a research methodology is necessary to outline how the research is carried out. This section discusses the research design, population and sample to be selected in this study. Data collection, data analysis and presentation techniques that were used in the study are also highlighted in this chapter.

3.2 Research Design

Kumar (2005) described research design as that method that is procedurally acquired by the researcher and that which enables the researcher to be able to answer questions accurately, validly, objectively, and economically. According to Wanyama and Olweny (2013), a research design aims at improving the ability of the researcher in conceptualizing an operational plan in order to be able to embark on the various techniques available and required tasks for the completion of the study while at the same time ensuring that the procedures used are sufficient enough to acquire valid, objective and precise responses to the research questions.

Qualitative research design was used for the study. The appropriateness of this design is that it allowed the researcher to utilize qualitative data so as to determine the effect of innovations on the performance of ISPs in Kenya. Qualitative research design helps the researcher to outline an issue; demonstrates methods for taking care of an issue; or potentially sheds light that is required in research, clinical applications or hypothetical matters. This research design was used by the researcher to gather information, summarize, present and interpret it in order to obtain more clarification on issues.

3.3 Population of the Study

A study population consists of the entire cluster of individuals, objects, items, cases, articles, or things with mutual characteristics existing in space at a particular period of

time that are significant to research findings. According to CAK (2018), there are currently 30 ISPs in Kenya out of which 6 control more than 80% of the market. The target population of the current study is the top 6 ISPs that control more than 80% of the market and the bottom 6 ISP's. The six are: Safaricom, Airtel, Telkom, Access Kenya, Jamii Telecommunications and Zuku.

3.4 Data Collection

This study used primary data collected using an interview guide shown in appendix I. The targeted respondents in this study were managers of six largest ISPs in Kenya or their representatives. The researcher focused on the managers of these firms because they were involved in the management of the organizations and have a broad understanding of the affairs of their organizations. The researcher interviewed one respondent in each of the selected ISP firm giving a total of six interviews.

To make sure that the research instrument captures the intended information, the researcher asked the respondents open ended questions that gave room for further prodding if any response is not clear. The researcher personally conducted the interviews. Care and control was attained through a register that recorded all the questions asked and their responses.

3.5 Data Analysis

The primary data collected in this study is qualitative data and it was therefore imperative that content analysis be employed in evaluating the responses, coming up with conclusions and finally to make recommendations. Content analysis involves the analysis of the responses from the interview by identifying the differences and similarities. This assists to discover themes and develop categories. A per to Khan (2008), content analysis entails analysis of contents of documentary materials like books, reports and content of all verbal materials that are either printed or spoken. Additional, Burns and Burns (2008), maintain that content analysis is the systematic qualitative description of the composition of the objects or materials of the study.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter comprises of analysis of qualitative data, presentation of findings and interpretation. Results are presented in continuous prose form. The data is in line with the research objectives.

4.2 Respondents of the Study

The researcher had targeted to conduct 12 interviews and only 10 interviews were successful. This reflects 83.3% response rate. The high response rate can be explained by the fact that the researcher gave an allowance to the interviewees to choose a representative in case they were not available.

4.3 Background Information of the Respondents

The researcher sought to find out the position held by the key informants, the highest level of education, the period of time they had held the senior management positions and their involvement in innovations at the ISPs. The findings reveal that all the key informants were senior managers with most of them holding the positions for more than 5 years. This implies that they were best fit to give responses for this study as they had served for a commendable period of time. Results also showed that all of them had attained education up to master's level and also had other professional certifications in their respective lines of careers. The results imply that the management at the ISPs were keen to in their recruitment and selection process to ensure that they hired managers who had high academic qualifications which translates to high level of expertise.

The findings also revealed that the senior managers were involved in innovations. To expound their answer, the respondents stated that they were involved in the decision-making process. They stated that they held frequent meeting with the senior management who communicated to them their intentions as far as steering growth of the company is concerned. By having an understanding of the direction that their organization intends to

take they are able to give useful insights in what innovations the company should adopt. The also added that the senior management engaged them as they understood what was happening on the ground.

4.4 Level of Innovations

This section delves into ascertaining the level of innovation at ISPs. Specifically, the sections encompass product/service innovation, process innovation, marketing innovation and technological innovations.

4.4.1 Product/Service Innovations

To start with, the researcher inquired from the respondents whether their firm frequently introduce new products. In response, all the respondents were of the affirmative. The respondents also reiterated that their firm has introduced new services. The researcher further probed the respondents to state some of the products or services their firm has innovated in the last 3 years.

To start with, the respondent from Safaricom stated that in the past 3 years their company has come up with various data plans to suit their customers needs. These included Tunukiwa bundles, Flex Bundles, Safaricom Fibre Home Plus, Blaze bundles, Platinum bundles, Giga bundle and the most recent one that allows customers to purchase data with no expiry date. To expound further, the respondents stated that the various packages are meant to suit different customers. The interviewee also stated that some of this product have become redundant such as the Flex bundles and the Tunukiwa bundles which have been replaced by the Power Hour Bundle.

The researcher implored the respondent to explain what markets were targeted by the various types of data packages. In explanation, the researcher stated that the Safaricom Safaricom Fibre Home Plus combines mobile voice, mobile data, SMS and Home Fibre in one package whereby a customer pays it as a package. The platinum bundle targets the high- end market giving such customers an option of purchasing a range of monthly plans with voice, SMS and data services, as well as access to lifestyle-friendly offers in partnership with brands such as Shell, eatout.com and Ticketsasa. The Blaze bundles

targets the youths who are registered under the Blaze programme. It gives them an opportunity to purchase bundles at a cheaper price, for instance purchasing a daily data bundle for KES 50 one gets 150MB while using Blaze bundles one gets 200MB. The Giga bundle enables a customer to purchase 1GB for KES 99 which expires within 24 hours. This gives customers the flexibility to purchase more for less when in need. Lastly, is the recent bundles without expiry date. The researcher also noted that Safaricom allows customers to access free Whatsapp once they purchase daily, weekly and monthly bundles which have been existent. Additionally, there is an option to purchase YouTube only bundles.

The study revealed that Airtel Kenya, Jamii Telecom and Zuku has also introduced bundle packages at cheaper rates. To start with, Airtel Kenya introduced the two main bundles dubbed Chapastori bundles early this year. These included 15 shillings bundle valid for 24 hours and Sh30 bundle that offers customers the same benefits with a validity of 3 days. These bundles come with free 100 minutes for all Airtel to Airtel calls per day. However, the offer only lasted up to end of January 2019.

With regard to Telkom Kenya, the study revealed that the company launched data bundles packaged as Daily 500MB and Daily 2GB valid for 24 hours from the time of signing up, both of which are available on the 4G network. Additionally, the daily 500MB bundle comes with 500MB data, an extra 500MB for use between 12am and 6am, 60 free minutes and 50MB of free WhatsApp all at only KSh49 while the daily 2GB delivers 2GB of data, free 2GB night data, 60 free minutes and 50MB of free WhatsApp, all at Sh99.

With regard to Jamii Telecom, the study respondents stated that the ISP launched the most affordable data bundles. The offers include 25GB for 30 days at the cost of KES 1,000, 15GB for 7 days at the cost of KES 500, 8GB for 7 days at the cost of KES 300 and 1GB for 1 day at the cost of KES 50. Additionally, they pointed out that Faiba 4G clients can enjoy up to 72 Mbps speeds. Finally, with regard to Access Kenya, the respondents reiterated that the ISP rebranded to Internet Solutions (IS) Kenya. They also pointed out that the ISP launched affordable home Internet bouquet which costs KES

999 per month offering speeds of five megabits per second (Mbps), Sh1,999 monthly for 10 Mbps and Sh3,999 for faster downloads of up to 20 Mbps.

The results demonstrate that all the ISP in Kenya had launched different data bundle packages within the last three years. The data bundles were varied depending on the target market each curving a niche for itself. However, results noted that Safaricom led in product and service innovation.

4.4.2 Process Innovations

The researcher implored the respondents whether they consider their firm to be active in process innovations. All the respondents from the 10 ISPs stated yes. To expound their responses, they gave elaborate answers on various process innovations their firms have come up with in the last 3 years.

To start with, the respondent from Safaricom stated that the 24 hour period for daily data bundles is calculated from when one makes the purchase unlike in the past when the bundles expired at 12 midnight regardless of the time of purchase. The respondents also stated that they have made a reality whereby one can purchase bundles for another number both from M-pesa and airtime. The respondent also stated that today customers are able to choose whether they intend to purchase bundles once or auto-renew unlike in the past when one had to unsubscribe failure to which once airtime was deducted without their consent. Further, the respondents representing Safaricom stated that the Safaricom Fibre Home Plus allows customers to purchase a package which provides data service to their and phone. Similarly, the respondent from Airtel also indicated that they have provision for purchase of Unliminet bundle for another number.

The results also revealed that all the respondents apart from the respondent from Access Kenya alluded that they launched 4G network. These networks enable customers to access internet at higher speeds. The respondents also stated that they have revamped the human resource department as it is in-charge of ensuring that they hire the right skills and ensure maximum employee productivity. To elaborate further, they stated that they have a good reward system in-terms off salaries and allowances which ensure that employee

provide efficient services to employees. Additionally, they posited that they have capacity building programmes for employees which ensures that they have requisite skills to perform their various tasks. Further, they stated that they are quick to process the developing of new products as requested by customers as well as have many customer care attendants to listen and attend to customer queries. The results demonstrate that all the ISP in Kenya have engaged in process innovation in various ways within the last three years. However, results noted that Safaricom led in process innovation.

4.4.3 Marketing Innovation

The study also sought to find out if the respondents considered their firms to be active in marketing innovations. All the respondents from the 10 ISPs stated yes. To expound their responses, they gave elaborate answers on various marketing innovations their firm has come up with in the last 3 years. Results revealed the respondent from Safaricom stated that they have increased the coverage of Safaricom Fibre Home which has increased their market share.

The respondents pointed out that all the respondents the ISPs have revamped their marketing and adopted various marketing innovations. These innovations include digital marketing, influencer marketing, SMS marketing and promotions. The researcher implored the respondents to explain more. They stated that digital marketing encompasses online marketing and social media marketing. Online marketing involves use of google ads and blogs (content marketing). On the other hand, social media marketing involved advertisement on you tube, facebook and Instagram. In this case, the ISP hire people to manage their social media pages whereby they address all the customer queries as well as create awareness of new product and services.

Further, they explained that influencer marketing entails engagement of popular people and celebrities in the society to market their products and services. Influencer marketing used both mainstream media, through advertisements, and social media. On the other hand, SMS marketing entails sending frequent SMS informing their customers about new products and services. There is also promotions during specific periods such as public holiday days and special days such as birthdays when they offer their products and

services at discounted prices. The respondents stated that their ISPs have come with new pricing methods which enable customers attribute the new prices with increased value for money.

4.4.5 Technological Innovations

Further, the study sought to determine whether the respondents can conclude that their firm continuously introduces new technological innovations. All the respondents from the 10 ISPs stated yes. To expound their responses, they stated some technological innovations that their firm has introduced in the last 3 years.

To start with, the respondent from Safaricom stated that their ISP launched the Blaze mifi a device that enables the registered members of Blaze have access to affordable internet. The Mifi is also portable. The respondent from Safaricom also stated that their ISP launched smart phones (Neon) that are fairly priced. These smart phones offer a platform which customers can use to get internet services. This thus benefits them more as the same customers purchase internet bundles from them.

Secondly, the respondents from Jamii Telecommunications stated that they also launched the Faiba Mifi. This device has helped customers to access internet even in places which are not covered by Fibre home. This has helped them to attract many customers who cannot afford to install the fibre at their homes and more so those who reside in places which are not covered by the Fibre home as the same time the device is portable. Results also revealed that the respondent from Access Kenya reiterated that they have the point to point technology which enables them to transmit frequencies from mast and avail their internet services to many customers without necessarily investing a lot of money in-terms laying infrastructure.

4.5 Innovations and Organization Performance

The study sought to establish the effect of innovations on organization performance. Specifically, the study sought to establish ways in which product or service, process, marketing and technological innovations improve organization performance. With regard to product and service innovation the respondents indicated that they have benefited in

various ways such as increased customer retention. With regard to process innovation the respondents stated that they had benefited in various ways such as customer satisfaction and customer loyalty while they benefited in-terms of increased market share due to marketing innovation. Further, they stated that technological innovation has resulted to improved efficiency. On an overall they stated that innovations have led to improved profitability of their companies.

4.7 Discussion of Findings

The main objective of the study was to determine the effect of innovations on organization performance of internet service providers in Kenya. Specifically, the study focused on the effect of product/service innovation, process innovation, marketing innovation and technological innovations on organization performance. Results revealed that the ISPs had introduced new products and services. Results also revealed that the ISPs were active in various process innovations, marketing innovations and technological innovations.

To start with, all the ISPs in Kenya revealed that they had new products in form of affordable data bundle packages. They cited that these packages were geared towards reaching out to specific target markets. Further, the results showed Safaricom had introduced the most products compared to other ISPs. Probably, this can be explained by the fact they have the largest market share.

Secondly, results demonstrated that the ISPs had launched various process innovations. These process innovations are geared towards provision of high-speed and cheaper internet services to the customers. This explains the motivation of the ISPs to launch 4G internet services. There was also the aspect of portability with Safaricom and Jamii Telecommunications introducing mifis which are portable devices. Further, there was the aspect of training and retraining of employees to ensure that they render effective and efficient customer service and service delivery.

Third, the study results illustrated that the ISPs have revamped their marketing and adopted various marketing innovations. These innovations include digital marketing,

influencer marketing, SMS marketing and promotions. Further, results revealed that the ISPs have adopted various marketing innovations. A good example is the Mifi device launched by Jamii Telecommunications and Safaricom.

These findings tally with those of Ngugi, Mcorege and Karanja (2013) who sought to find out if a relationship existed between innovation and performance. Their findings were that innovative SMEs agreed that through innovative activities such as product innovativeness, process innovativeness, and marketing innovativeness. The results showed that SMEs increased their revenue and clients through use of innovations.

These findings also concur with Kantor (2001) who in his opinion stated that technological innovation is key factor in economic progress of any country as well as in gaining competitive advantage for different industries. A crucial role for both large firms, medium, small and micro is played by innovation (WladawskyBerger, 2008). Kemp (2003) maintains that innovation has been one of the best competitive weapon in an organization and is renowned as a business's core. It is also considered by Ruttan (1984) as a very effective means to progress business' productivity should there be resource limitations.

The study findings are consistent with the propositions of diffusion of innovation theory which proposes that innovations adoption depends on the manner in which new organization perceives its relative advantage. Hence, innovations are linked to positive relative advances. The study findings are also concurrent with the propositions of the Technology Acceptance Model (TAM) that contends that perceived usefulness refers to the belief by an individual that the technology or information system adopted will significantly improve job performance after its adoption. Similarly, according to the assertions of Tan and Teo (2013), the perceived usefulness of a technology will influence its adaptation. In conclusion, the higher the perceived usefulness of using technological innovations, the greater the chances that innovations will be adopted for use (Potaloglu & Ekin, 2015). The theory mirrors the results of this study that the perceive usefulness determines the adoption of an innovation. The study results revealed that launch of innovation is tied to the expected returns in-terms of performance.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the summary of the findings, the conclusions and the recommendations. This is done in line with the objectives of the study.

5.2 Summary of Findings

The general objective of the study was to determine the effect of innovations on organization performance of internet service providers in Kenya. The study revealed that innovations, that is product and process, process, marketing and technological innovation have affected organization performance of internet service providers in Kenya positively. Specifically, the results showed that the ISP's organization performance had improved in terms of as increased customer retention, increased customer satisfaction, customer loyalty, increased market share and improved efficiency. On an overall, results showed that innovations have led to improved profitability of their companies. These findings tally with those of Ndesaulwa and Kikula (2016) who explored the effect that innovation had on SMEs performance in Tanzania with the help of a survey design. Innovation and performance were found to have a positive connection.

The results also revealed that all the ISP's in Kenya had launched different data bundle packages within the last three years. The data bundles were varied depending on the target market each curving a niche for itself. However, results noted that Safaricom led in product and service innovation. The results also revealed that all the ISP's have engaged in process innovation in various ways within the last three years. However, results noted that Safaricom led in process innovation. These findings are consistent with those of Onikoyi (2017) who did a survey on the impact that product innovation had on operational performance of Nestle in Nigeria. The study revealed that product innovation enhanced organizational performance.

Further, the results revealed that all the respondents the ISPs have revamped their marketing and adopted various marketing innovations. These innovations included digital

marketing, influencer marketing, SMS marketing and promotions. These results also revealed Safaricom and Jamii Telecommunication launched a Mifi which enable customers to access internet even in places which are not covered by Fibre home. The results also showed that Access Kenya launched point to point technology which enables them to transmit frequencies from mast and avail their internet services to many customers without necessarily investing a lot of money in-terms laying infrastructure. These findings are consistent with those of Munyoroku (2014) who posited that efficient operational process requires a firms to invest a lot in technologies which in turn results to enhanced internal efficiencies and majorly result to success of firms. It is therefore important for technological innovation strategies implemented by firms to help in identification and exploration of new revenue generation opportunities and increase customer satisfaction by reliable delivery.

5.3 Conclusion

The study concluded that innovations, that is product and process, process, marketing and technological innovation have affected organization performance of internet service providers in Kenya positively. Specifically, the results concluded that the ISP's organization performance had improved in-terms of as increased customer retention, increased customer satisfaction, customer loyalty, increased market share and improved efficiency. On an overall, the study concluded that innovations have led to improved profitability of their companies.

The study also concluded that all the ISP companies had launched different data bundle packages within the last three years. The data bundles were varied depending on the target market each curving a niche for itself. However, the study noted that Safaricom led in product and service innovation. The study also concluded that all the ISP companies have engaged in process innovation in various ways within the last three years. However, the study also noted that Safaricom led in process innovation.

Further, the study concluded that all the respondents the ISP's have revamped their marketing and adopted various marketing innovations. These innovations included digital marketing, influencer marketing, SMS marketing and promotions. The study also

concluded that Safaricom and Jamii Telecommunication launched a Mifi which enable customers to access internet even in places which are not covered by Fibre home. The study also concluded that Access Kenya launched point to point technology which enables them to transmit frequencies from mast and avail their internet services to many customers without necessarily investing a lot of money in-terms laying infrastructure.

5.4 Recommendations for the study

Based on the study findings the study recommends that ISP's and other companies in the private sector should embrace adoption of innovations even the more. This is due to the fact that innovations impacts organization performance positively. This would thus result into improved performance through increased market share, customer loyalty, customer satisfaction and improved employee productivity.

The study also recommended that ISP's should invest and lay infrastructure as well as purchase technological equipment that are needed to fast-track adoption of innovations. This would help to them to position themselves in readiness for adoption of new technology as technology is changing constantly. This would thus help increase their competitiveness both locally and internationally.

Further, the study recommends that human resource managers should be keen to ensure that their human resource have the right skills. This is due to the fact that adoption of innovation may require different skills from the ones possessed by a particular workforce. Hence, they should be prepared to continually train their workforce. This would thus translate to improved employee productivity and thereby improved organization performance.

5.5 Limitations of the Study

This study experienced various limitations. To begin with, due to the sensitivity of the information, the study was hampered by getting the right information from the managers at the ISP's. Further, the suspicion normally associated with research was experienced and was solved by assuring the respondent of utmost confidentiality and disclosing the academic purpose and intention of the study.

Secondly, there was trouble in accessing the targeted respondent. The limitation was moderated by booking appointments with the respondents and conducting the interviews at their time of choice. This helped improve the response rate. Additionally, some respondents were biased in giving the right information to the researcher which may have resulted to inaccurate information that could not be relied on by the study. To counter this challenge, the researcher compared the responses with past literature related to this study, although the area of study is unique.

The researcher also experienced hesitance by respondents to give their feedback as they feared it would be used against them. To mitigate this, the researcher acquired a letter of introduction from the university that guaranteed the respondents that the feedback would be utilized for scholarly purposes and would be held in confidence. The researcher also sought permission from the management of the ISP's before conducting the interviews.

5.6 Recommendations for Further Research

Since this study was qualitative, the study recommends that a similar study be conducted but adopt a quantitative approach. This would help to clearly define the magnitude of effect of innovations on organization performance. This would thus help companies to have an understanding on what type of innovation has greater impact on organization performance and thus aid in making informed decisions on what aspects they should put more emphasis on.

Since this study only focused on ISP's, the study recommends that a similar study should be replicated among other companies in other sectors such as the banking industry. This would help to establish whether there is a variance on the relationship between innovations and organization performance in different sectors.

Further, the study recommends that a study seeking to establish the effect of innovations on other aspects such as competitive advantage or customer satisfaction should be conducted. This would help to establish whether there is a variance of the effect of innovations on various aspects other than organization performance.

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APPENDICES

Appendix I: Interview Guide

I would like to request you to give me information on the effect of innovations on organization performance of internet service providers in Kenya.

The purpose of this interview is to:

- i) Determine the level of innovations adoption among internet service providers in Kenya
- ii) Establish the effect of innovations on organizational performance of internet service providers in Kenya

PART A: MANAGER OR REPRESENTATIVE PROFILE

- 1) What is your current position in the firm?
- 2) What is your highest qualification?
- 3) For how long have you been in senior level management of the firm?
- 4) Are you involved in innovations of the firm?

PART B: LEVEL OF INNOVATIONS

Section 1: Product/Service Innovations

- 5) In your view, does your firm frequently introduce new products? How about services?
- 6) Which are some of the products or services your firm has innovated in the last 3 years?

Section 2: Process Innovations

- 7) Would you consider your firm to be active in process innovations?

8) Which are some of the process innovations your firm has come up with in the last 3 years?

Section 3: Marketing Innovations

9) Do you consider your firm to be active in marketing innovations?

10) Which are some of the marketing innovations your firm has undertaken in the last 3 years?

Section 4: Technological Innovations

10) In your own view, can you conclude that your firm continuously introduces new technological innovations?

11) Which are some of the technological innovations your firm has introduced in the last 3 years?

PART C: INNOVATIONS AND ORGANIZATION PERFORMANCE

12) In what ways do you think product or service innovations improve organization performance?

13) Does process innovation impact on organization performance? If yes, in what ways?

14) What are some of the ways through which marketing innovations impact on organization performance?

15) In what ways do you think technological innovations impacts on organization performance?

Thank you for your co-operation