

**STRATEGIC PRODUCT INNOVATION AND PERFORMANCE OF  
USHURU SACCO IN KENYA**

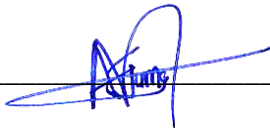
**SUBMITTED BY  
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT  
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION UNIVERSITY OF  
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## DECLARATION

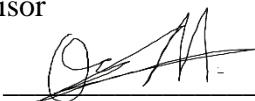
This research project is my original work and has not been presented for any award in any other university.

Signed:  \_\_\_\_\_ Date: 18/11/2022

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**D61/33927/2019**

This research project has been presented for examination with my approval as the University Supervisor

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## **DEDICATION**

I dedicate this project to God Almighty in appreciation of His boundless love toward me during my academic endeavours. Another special dedication to My mother Rose Atieno Juma whose tireless support and encouragement gave me the drive for academic excellence.

## **ACKNOWLEDGEMENT**

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## TABLE OF CONTENTS

DECLARATION .....	i
DEDICATION .....	ii
ACKNOWLEDGEMENT .....	iii
LIST OF TABLES .....	vii
LIST OF FIGURES .....	viii
LIST OF ABBREVIATIONS AND ACRONYMS .....	ix
CHAPTER ONE: INRODUCTION .....	1
1.1 Background of the study .....	1
1.1.1 The concept of strategic product innovation .....	2
1.1.2 Organization performance .....	3
1.1.3 SACCOs in Kenya.....	4
1.1.4 Ushuru Sacco.....	5
1.2 Research Problem .....	6
1.3 Research Objectives.....	8
1.4 Value of the study .....	8
CHAPTER TWO: LITERATURE REVIEW.....	10
2.1 Introduction.....	10
2.2 Theories of Product innovation.....	10
2.2.1 Knowledge-based theory.....	10
2.2.2 Resource-based theory.....	12
2.2.3 Disruptive Theory.....	15

2.3	Product innovation strategies .....	17
2.3.1	Incremental product innovation.....	18
2.3.2	Radical product innovation.....	19
2.3.3	Modular product innovation .....	19
2.3.4	Architectural product innovation.....	19
2.4	Measures of organizational performance .....	20
2.5	Impact of product innovation on organizational performance.....	21
CHAPTER 3: RESEARCH METHODOLOGY .....		23
3.1	Introduction.....	23
3.2	Research design .....	23
3.3	Data collection. ....	24
3.4	Data Analysis.....	25
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION .....		26
4.1	Introduction.....	26
4.2	Ushuru Sacco profile.....	26
4.3	Response rate and respondent demographics .....	27
4.3.1	Response rate .....	27
4.3.2	Respondent Demographics .....	28
4.4	Discussion of findings.....	28
4.4.1	Strategic product innovations adopted by Ushuru Sacco .....	28
4.4.2	Performance of Ushuru sacco .....	32

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS.....	35
5.1 Introduction.....	35
5.2 Summary of Findings.....	35
5.3 Strategic product innovations adopted by Ushuru Sacco. ....	35
5.4 Strategic product innovation and performance of Ushuru Sacco. ....	36
5.6 Conclusion .....	37
5.7 Recommendations.....	37
5.8 Limitations of the study .....	38
5.9 Suggestions for further research. ....	38
REFERENCE.....	39
APPENDIX 1: INTRODUCTION LETTER.....	i
APPENDIX 2: INTERVIEW GUIDE .....	ii

## LIST OF TABLES

Table 1: Summary of empirical Literature review and the knowledge gaps.....	16
Table2: Comparison of new members versus those withdrawing in the year 2022 .....	32
Table 3: Income, asset and loan book growth from 2017 to 2021.....	33
Table 4: Membership, revenue and returns from 2017- 2021.....	33



## LIST OF FIGURES

Figure 1: Ushuru Sacco Organization structure.....	32
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## **LIST OF ABBREVIATIONS AND ACRONYMS**

CUEW	-	Customs & Excise Workers
F.O.S. A	-	Front Office Service Activity
GDP	-	Gross domestic product
HR	-	Human Resource
ICT	-	Information and Communication Technology
KRA	-	Kenya Revenue Authority
KSHS	-	Kenyan Shillings
SACCO	-	Savings and Credit Cooperative Society
SASRA	-	Sacco Societies Regulatory Authority

## **CHAPTER ONE: INRODUCTION**

### **1.1 Background of the study**

Organizations should identify market opportunities available within an environment they operate in and use the same opportunities to build a long-lasting competitive advantage. Strategic positioning in relation to products and services is key. Any organization's product and or service should meet the customers need or want and should be made available in the market to draw attention, for the customers to acquire and use.

The local and global business environment is fast changing with the rapid change in technology as the peoples' lifestyles also become new every day. Every organization with intentions of being competitive in the ever-changing environment should be innovative. Ramadani and Gerguri (2011) argued that innovation is very necessary for any business to succeed. Product innovation leads to competitive sustainability for any business that operates within the dynamic environment, brings about survival and growth of an organization through product improvement. The products therefore become better than those provided by the competitors (Anderson,2007).

Product innovation entails designing unused items and coming up with new administrative processes and or product intensification, services, and technological procedures already in place in the organization and this becomes the engine of growth in any given firm. Organizations should continuously explore untapped areas to achieve positive impact.

The researcher has based the study on three theories: knowledge base theory, resource base theory, and disruptive theory. Knowledge base theory is all about knowledge pool the organisations employees and management have and that which is feasible. The quality of an organization knowledge base enhances the ability of an organization to focus on innovation efforts hence innovation efficiency. (Nelson ,1982) We therefore need to determine the pool of

knowledge that exists in Ushuru Sacco Society Ltd and how it can be useful in improving the performance of Sacco.

Resource base theory is founded on the idea that every organization should possess strategic resources over its rivals in order to gain a competitive edge over them. The resources include both financial and human resources. A firm may be a bundle of assets and it's those assets and how they are utilized that distinguishes businesses from one another. (Barney & Clark ,2007)There is need therefore to examine the capabilities and resources within Ushuru Sacco.

Disruptive theory explains that an organization's ability to perform is because of their willingness to adopt to change in terms of technology in their operations and bring in new items and administrative procedures. In order to survive, there is need to appraise the new technologies Ushuru Sacco has adopted to improve its services to the members and other stakeholders.

### **1.1.1 The concept of strategic product innovation**

To provide superior products and services to both new and existing customers, organizations tend to relook and change their business processes, product quality and services hence strategic innovation. Successful organisations who implement innovative strategies for their products and services, invests in research, development and Innovations to propel into higher levels of profitability and generally become successful. Kovac (2007) looks at strategic product innovation as a technique for making long-term and crucial business decisions and making choices on the exercises and assets for achieving key objectives. Agreeing to him the advancement technique should be based on variety, long term, systematism, the time figure and the concentration of assets and exercises to be carried out.

Strategic Product innovations may be internal or external. Internal strategic product innovation arises from knowledge, capacities, resources and the technologies used by the organization while external product innovation arises from consumers' needs and organization's

expectations. Strategic product innovation as an instrument of growth in an organization is designed to open up new markets, increase the industry share and offer a quality company's competitive edge by implementing different business practices than their rivals. (Koufteros, Vonderembse, & Jayaram, 2005).

With regard to Ushuru Sacco Products, strategic product innovation focuses on presentation of new modern financial products and services, making changes on existing products or applying new techniques in introducing the products or financial services. Drivers of such changes may be from the management or from the pressure arising from the needs of the members of the Sacco

### **1.1.2 Organization performance**

Organization performance as a concept has had different meanings from way back in the 1950's. In 1957, according to Georgopoulos & Tannenbaum, (1957). it was characterized as the degree to which organizations satisfied their goals and the execution of such goals was centred on work, individuals and organization structure. It was based on any organizations ability to use its limited resources to achieve the intended objective.

According to Machuki and Aosa, (2011), Organizational performance alludes to objective accomplishment. Organizations set key bearings, build up objectives, execute the choices made and screen their undertakings and conduct as they purpose to meet their objective so as to be ensured of their relevance, survival and victory within the existing outside environment. To decide their state of development or victory, organizations utilize the execution estimation and other control apparatuses that gage the level of accomplishment.

Three distinct areas of company outcomes are made possible by organizational performance;(1) Financial performance (profits, return on assets, return on investments etc.);(2)Performance in the product market(market share, sales etc.)and (3)Shareholder return(total shareholder return ,economic value added etc.) (2009) Richard et al.

Researchers, (Jacobson, 1988; Waring, 1996; Richard et al., 2009; Machuki and Aosa, 2011;) contend that it's a challenge measuring organization performance since it isn't a one-dimensional hypothetical develop and unlikely to be described by single degree of operation. The commonly used measures included in the degree a firm's execution incorporate; budgetary measures, blended accounting/financial measures (shareholder esteem examination, cash stream per share, advertise esteem etc), survival, and subjective measures.

Financial Organizations like Ushuru Sacco contributes towards economic growth in every nation hence significant in its contribution towards developing a nation like Kenya. It is on the same note that most financial analysts consider organizations an engine in deciding the financial, social and political advance in a given economy. Persistent development in execution of strategic plans is subsequently the centre as organizations are able to advance

### **1.1.3 SACCOs in Kenya**

Savings and Credit Co-operative Society otherwise abbreviated as Sacco Society is registered under the Co-operative Societies Act, 1997 (No. 12 of 1997). It may be a formal financial institution, democratically controlled and fairly administered by its members to energize investment funds among members and utilizing the pooled reserves to extend credits to its individuals at affordable interest rates. Savings and Credit Co-operative Societies acronymed as SACCOs are a typology of Co-operatives in Kenya whose key object and purpose is the mobilization of savings from members and advancement of credit or other loan facilities to the said members, mostly on the security of the savings and guarantors (Juma, 2012).

Kenya has one of the top ten all-inclusive cooperative movements in Africa. However much the COVID-19 Pandemic has hurt the world economy, the overall performance of SACCOs show that the Kenyan SACCOs remain very resilient even in the wake of external shocks. This can be evidenced by the impressive growth recorded in all the financial performance indicators,

used to gauge the performance and growth of a financial institution. Deposit taking SACCOs (DT-SACCOs) and non-deposit taking SACCOs are the two categories of SACCOs.

. Ushuru Sacco was licenced as a deposit taking Sacco in 2020(Sacco Supervision Annual Report, 2020).

Irrespective of the impacts of the COVID-19 Pandemic, the Deposit Taking-SACCOs registered impressive growths in key performance measurement parameters of assets; deposits; and gross loans. The Deposit Taking-SACCO framework developed to have Kshs 627.68 billion in total assets, up from Kshs 556.71 billion in 2019. This was an increase of 12.75% in 2020 as opposed to a comparable increase of 12.41% in 2019. These deposits served as the foundation for the assets' funding sources. %.(Sacco Supervision Annual Report, 2020)

Total loans rose from Kshs 419.55 billion, reflecting an increase of 12.09% in 2019, to Kshs 474.77 billion, representing a growth rate of 13.16% in 2020. Deposits as a whole increased by 13.41% to Ksh 431.46 billion. Net loans and advances increased by 12.60% to Kshs 450.58 billion in 2020 from Kshs 400.16 billion the year before, an increase of 11.46%.(Sacco Supervision Annual Report, 2020)

#### **1.1.4 Ushuru Sacco**

The Ministry of Finance's Customs and Excise Department founded CUEW Sacco in 1970 under the name Customs and Excise Workers. The Sacco operations were then governed by the co-operative principles outlined in 1844 by the Rochdale Society of Equitable pioneers in Rochdale, England. The Sacco by-laws then, did not allow admission of individuals not within the common bond. In 1995, Kenya Revenue Authority (KRA) was formed and this called for changes to the by-laws to accommodate the individuals initially disadvantaged by the common bond principle, hence allowing members from other corporate entities and Parastatals and other Government Ministries to join the Sacco. In the year 2002, CUEW Sacco rebranded to Ushuru Sacco society limited. (Ushuru Sacco Website, 2022)

The Society has registered tremendous growth in membership, registering over seven thousand members in the year ended 2020. The Society has continued to witness a steady and sustainable growth in other areas including total assets, dividend on share capital, interest on members deposits, core capital, institutional capital and share capital among others. (Ushuru Sacco Annual Report, 2020)

The Society's fourth formal strategy has represented a significant change in the context of the 50-year history of the Society. They have been able to attain the best through the provision of excellent services within the Co-operative sector. They have gained credibility for their quality and efficient services and this has not been because of luck but through their core values of Teamwork, Integrity and Professionalism, which have since been reviewed and remodelled to Simplicity, Proficiency, Ethical and Cohesion, This explains their commitment to ensure members personal growth through provision of products and services hence their slogan – "*huduma maradufu*", a Swahili word loosely translated to mean emphasis on service delivery to members. (Ushuru Sacco strategic plan – 2022)

The Society therefore continues to focus on attaining their vision through commitment to deliver value to their stakeholders, members, staff, regulators and the general public. The Society has continued to invest in creating a simple organization with clear and elaborate roles and responsibilities. This has created an enabling environment for increased efficiency and to strengthen their relationships and service provision to the members and stakeholders. (Ushuru Sacco strategic plan ,2022).

## **1.2 Research Problem**

Strategic product innovation is being creatively competitive in an existing business environment. It's a significant way of departing from the old practices to new practices for sustainability and value addition. It clarifies that key advancement in the process of strategic product innovation is all around utilizing a distinctive centre on changing firm level procedure over time to be able to distinguish unexploited position within the industry ahead of other



competitive firms. It improves worldwide competitiveness, general efficiency and esteem maximization of the firm productivity

According to Damanpour (1991), strategic innovation has been connected with prevalent execution of roles and responsibilities in an organization to meet specific intended objective. Through Key development, an organization upgrades its worldwide competitiveness in relation to efficiency and uniqueness in goods and services provided. Strategic Innovation faces instabilities present in incremental developments like upgraded adaptations or expansions of existing products and procedures, and radical changes related to the advancement or application of modern thoughts and modern innovations.

For the registration, inspection, examination and supervision of co-operative societies, Co-operative Societies Act Chapter 490 of the Laws of Kenya was introduced. Its mandate being to control, oversee and licence whereas accepting required commitments from all controlled cooperative societies in accordance with the Sacco Societies Act of 2008. (Sacco Supervision Annual Report, 2020)

With the introduction of SASRA in 2009, the Authority brought with it a new legal framework that would change the way savings and credit co-operative societies conduct their business, Ushuru Sacco included. They were and still are expected to be innovative and change their strategies in terms of business approach and this calls for an entire review of their operations (Sacco Supervision Annual Report, 2020)

There is not much empirical data on strategic product innovation and performance of Savings and Credit Societies. Studies accessible have concentrated on public Universities' strategic innovation and performance(Aswani,2013), the commercial banks (Kemoli,2012; Kamakia,2014) and petroleum industries (Thiongo,2019; Njoroge,2020).

In deed no much studies about strategic product innovation by Sacco's in Kenya is documented. No documented research is available to show how strategic product innovation and performance of Ushuru Sacco has been carried out and applied. This therefore made this research a worthwhile venture

With the ever-changing business environment especially the financial sector, the institutions require to be strategically innovative with regard to the products and services offered in the market to keep relevance and in order to achieve the society's objectives from time to time. This study therefore seeks to determine the strategic product innovations introduced at Ushuru Sacco and how the same has contributed to the organization's performance.

### **1.3 Research Objectives**

#### **General objective.**

The main objective of this study is to ascertain the strategic product innovations introduced at Ushuru Sacco and how the same has contributed to the organization's performance.

#### **Specific Objectives**

- i. To establish the strategic product innovations at Ushuru Sacco
- ii. To determine the impact of strategic product innovation on Ushuru Sacco's performance

### **1.4 Value of the study**

The research will assist in enhancing the strategic innovation theory. It will be useful to Ushuru Sacco management, as it will enable them to link the organizational strategic plan to their operational activities related to strategic product innovation and control system. The importance of strategic product innovation that enables them to achieve success will be well understood.

The study's results in relation to organization performance through product innovation at Ushuru Sacco will provide credible empirical data and evidence on the sustainability of the

Sacco's performance despite high regulation and competition within the industry and with other financial institutions. During the research, the process of resource generation, teaching, learning, research & knowledge creation will be demonstrated as having a positive relationship with strategic product innovation, thereby supporting the argument that strategic product innovation enhances the general performance of a firm. By affirming existing hypotheses and accommodating earlier information within the more extensive field of advancement, this investigation will add to improvement of information in both the areas of methodology and corporate innovativeness.

The government will benefit from the study's findings. The study will be helpful to decision makers and industry players. The establishments of organizational performance indicators will be the basis through which the government establishes when and where to provide support financially to the firms who become innovative in their activities purposely for economic growth.

Policy makers will also be able to assess the advance towards accomplishing the Kenyan vision of 2030 aligned to economic growth and organization performance. The discoveries serve as a guide to those who design government policies hence re-defining approaches that lay establishment for vital product innovation. The approaches will improve the country's global competitiveness, nation's economic flexibility and achievement of fundamental national goals.

To the industry participants, arrangements defined will upgrade steadiness, development and execution within the agreeable industry hence stability and growth. The management of Ushuru Sacco will be able to develop and implement a product innovation strategy as part of its business strategy plan that will build the firm's capacity to gain competitive advantage.

It will serve as a resource for future analysts on relevant topics in addition to assisting other academicians working on the same topic. It will draw attention to additional crucial issues that demand more study.

## **CHAPTER TWO: LITERATURE REVIEW.**

### **2.1 Introduction**

The chapter's research includes literature overview. It gives the different theories of product innovation, product innovation strategies used in organizations, measures of organizational performance, and how product innovation impacts the performance of an organization.

### **2.2 Theories of Product innovation**

This research is based on a variety of beliefs that have developed over time. Strategic innovation, which is still generally unused within management field, goes past the confinements of conventional approaches and tools to empower modern development and competitive focal points by making modern markets, modern esteem, and unused trade models.

A theory, according to Halvorson (2012), is a collection of interconnected models that collects and organizes information and ideas concerning the world. It comprises of thoughts and concepts that vary in status and origin which clarifies or define some phenomenon (McQuail 1983). A theory can be thought of as the outcome of theoretical reasoning concerning a phenomenon. Contemplative and analytical thinking are frequently linked to procedures like observational study or research. West & Farr (1990), contend that innovation is the deliberate introduction and implementation of ideas, procedures, goods (incl. administrations) or tactics within an organization or group. It must be brand-new to the intended unit of adoption and made with the best interests of the individual, group, organization, or society in mind. Knowledge-based theory, resource-based theory, and disruptive theory are the foundations of this research.

#### **2.2.1 Knowledge-based theory.**

This theory focuses on the organization's capacity to innovate strategically. The potential of an organization to increase its modern thoughts is subordinate to the information pool accessible among the representatives or employees in the firm. (Subramaniam and Youndt, 2005). For

companies to obtain the highest quality performance in terms of products and services rendered, they ought to have a proper organizational structure so that they can take gain of its rare resources that are valuable and can't be imitated. In order to have great performance over the competitors, firms must therefore no longer solely be useful resource-based but also information-based.

Amidon (1997) contends that knowledge innovation is the development, advancement, trade and putting into practice unused thoughts into attractive products and services. This in turn leads to the organization success, which strengthens a nation's economy. It therefore means that in knowledge innovation, people use their past knowledge to create new ideas. In doing so, use of technology channels and creative thinking is inevitable. Knowledge innovation leads to knowledge expansion, quality improvement, and uniqueness goods and services produced.

Grant (1996) believes the most important objective of an organization is the use of available information to the generate its products and or services. It therefore suffices to say that Knowledge and skills gives an organization competitive advantage. An organization can develop new goods and processes through the use of the available knowledge and abilities, as well as progress the current ones in a more efficient and effective manner (Nonaka & Takeuchi, 1995).

According to Hitt and Ireland, (1999), Organizational knowledge is an indispensable intangible input that pushes a firm into gaining sustainable competitive advantage hence without knowledge, firms have less chance of realizing and taking advantage of new opportunities. The use of knowledge-based strategy affects a product's or service's overall performance and price if the innovation is utilized accordingly hence the subsequent innovation attempts are guided by the newly acquired information.

Kim and Mauborgne (1997) assert that firms are able to present underutilized, intriguing product information and innovations that result in the accumulation of inferred knowledge

when innovation is properly handled. In the cooperative industry, knowledge base strategy has been crucial to the development of innovative techniques.

### **2.2.2 Resource-based theory**

According to the theory, a firm should have assets and capabilities that are prevalent to those of its rivals in order to acquire a competitive edge. Without this dominance, competitors might imitate what the company was doing, negating any advantage. An organization's necessities are assets and capabilities more prominent to those of its rivals to cultivate a competitive edge (Avlonitis et al., 2001). Each organization's assets' centrality shifts based on industry, time, and space. The conceivably of the same is decided by the outside environment

The theory was first proposed by Penrose (1959). It was a hypothesis that was created as a twofold to Porter's theory of competitive advantage. (Barney & Arian, 2001) Wernerfelt (1984) indicated that essential commitment to the resource-based theory literature was recognizing that an organization's particular assets, its competitiveness in the market based on their available assets, can be fundamental in arranging for firms to pick up preferences in executing their strategies.

The theory gives a framework to highlight and foresee the organizations performance in relation to gaining competitive advantage over the others. The theories that emphasize the firm's performance from a meso perspective are a response to prior managerial interest in the sector. The theory discusses an internally driven strategy. This is accomplished by emphasizing internal organizational resources rather than remotely driven techniques to comprehend the success or failure of leveraging authoritative action (Kozlenkova, Samaha & Palmatier, 2014). The theory aims to elaborate on business resources that competitors cannot imitate or those which are unique and may eventually provide a source of long-term competitive edge. (Barney, 1991).

The theory bases its conclusions on fundamental hypotheses that explain how organizational assets produce sustained competitive edge and why some organizations consistently outperform others due to greater competitiveness. (Helfat & Peteraf, 2003). In the first assumption, the of resources owned by organizations are different from each other (Helfat & Peteraf, 2003). The theory affirms heterogeneity of resources and capabilities within an organization. This is what differentiates the competitive advantage of different organizations. The heterogeneity of resources makes an assumption that an organization that has unique resources in different circumstances is potentially more skilled to perform certain tasks thus have competitive advantage.

In the Second assumption, the complexities of the resources in different organizations may create persistence in diversity in resources (the assumption of resource immobility). These theory assumptions recognize that organisational characteristics are not merely modified. In order for an organization to flourish and have a long-term competitive edge, it must correct its orientation. Internal elements of a firm, such as its resources and capabilities or assets, determine a firm's profit. This is the dominant paradigm in determining an organization's profits potential, (Porter 1 989). According to resource-based theory, if a limited number of organizations control crucial resources (i.e., costly, hard-to-replicate resources), those companies may be able to maintain a competitive edge. (Barney, 1991). Therefore, organizations can attain an advantage by continuously recombining or reconfiguring their different types of resources (Adner & Helfat, 2003).

Employees require to get adequate assets to be imaginative or creative and make a climate of development. The same incorporates materials, knowledge, information, data, funds, facilities, and adequate time to deliver novel work within the space and accessibility of resources. According to this theory, firms with prevalent frameworks and structures are beneficial not because they participate in vital speculations that will prevent entry and drive up long-term

expenses, but rather because they have extraordinarily low costs or provide extraordinarily high quality item execution.

The theory emphasizes the value of knowledge as a tool in strategic innovation. In coming up with a resource-based hypothesis, Nickerson & Zenger (2004) identified two significant schools of thinking. They incorporate the ideas of the modern and the classical schools. According to the ideas of classical or traditional school, in order to be competitive with their rivals, firms must develop their core competencies through the first-rate remarkable use of their resources. The resource-based approach deals in the basic causes of corporate diversity as well as how firms achieve and maintain competitive advantage through effective asset use.

Barney (1991) displayed a more concrete and comprehensive system to recognize the required characteristics of firm assets used to produce an economic competitive advantage. These characteristics incorporate whether assets are: profitable, exceptional among a firm's current and potential competitors, incomparable, and non-substitutable. Using a resource-based hypothesis, a firm has four alternatives while making innovative strategic choices.

An organization may survive with the resources it has and do everything within the constraints of the resources. The organization may also acquire more resources by merging with others. They could also acquire resources by entering into joint ventures with the external environment and lastly, if the organization has negotiating powers, it may decide to influence the environment. According to Drees & Heugens (2013), the theory assumes that without resources there isn't any driving force to trigger success in an organization.

For Ushuru Sacco, for example, to progress a reasonable gain, it must have possessions and know-how greater than its competitors to gain a competitive edge.

The application of the Resource Based Theory in various disciplines in addition to its popularity in strategic management literature domain that emphasises its resource-based gives a strong footing for the theory's framework or an extension. The theory has been used to study



business resource and capability strategy by adjusting recent business environment developments such as technology and innovation. Analytical use of data to evaluate business performance (Akter et al., 2016) or for innovation in marketing (Wright et al., 2019) are examples of the influence of Resource Based Theory in Business and Management studies. The study by Akter et al. (2016) demonstrated how the Resource Based Theory model may be used to link big data analytics with the business plan to improve organizational performance. An Organizational capability in technology, management, and talent capability may serve as the analytics capability business strategy alignment to investigate an organization's performance by using big data analytics capability under the model.

This theory has however attracted criticisms in four important ways. First, the traditional Resource Based Theory is not clear on why and how some organisations gain a competitive edge in an unpredictable and dynamic economic environment (Kleinschmidt, de Brentani & Salomo, 2007). Secondly, the value creation idea that has been proposed based on this theory regarding valuable resources is rhetorical (Kozlenkova, Samaha & Palcanmatier, 2014). This indicates that the theory is self-validating and cannot be tested empirically (Barney, 2001). Third, as the theory primarily refers to the works of Barney (1991), the support for the resource condition of being rare may be redundant. This is Because any resource that meets the requirement of value, non-substitutability and inimitability is very rare (Priem & Butler, 2001). Finally, the theory ignores exogenous resources. It Assumes that only endogenous factors are essential to driving competitive advantage. It is however clear that exogenous factors may also offer as advantageous capabilities (Lewis et al., 2010).

### **2.2.3 Disruptive Theory**

The Cambridge dictionary defines disruption to mean stopping a process, system, or event from proceeding as usual. A person who interrupts the activities of the other is a disruptor. A person who is disrupted is disruptee. (Yu and Hang 2008, Christensen (2013). According to the

concept of disruption therefore, one can be a disruptee, a disruptor, or a neutral party (Kilkki et al 2018)

Brown (2003) in any case looks at the disruptive innovation from a social perspective. He affirms that disruptive innovation alters the way people live. This will be in terms of social activities, academic pursuit and work or employment. He characterizes disruptive advancement as modern handle utilized effectively to form significant alterations to the requests and prerequisites of a market that as of now exists and makes unused trade markets or practices in entire by disturbing the existing players.

Bower and Christensen (1995), introduced the theory in their disk drive industry research. It distinguishes two kinds of innovation i.e. sustaining and disruptive innovations. Understanding the distinctions between these is essential to comprehending Christensen's viewpoint. (Schmidt and Drugehl 2015). Sustaining aims at improving the quality of a product for the existing customers. The changes can be gradual or drastic (Christensen et al., 2015) Moreover, these changes correspond with a feature which appeal to the majority of the existing customers, enabling sales with higher margins and profitability. The theory clarifies that inventive efforts made by an organization alters the current market by upgrading availability, comfort, cost-effectiveness, and effortlessness in a business environment where goods and services are costly .Clayton Christensen(1997) initially discussed disruptive innovation to portray a process by which a good and or a service produced in a particular organization takes root at first in straightforward applications at the bottom of a given market then gradually increases, displacing established competitors. When compared to the routine execution measurements employed by organizations, disruptive businesses tend to have lower gross margins, narrower target markets, and simpler products and administrations that do not appear as appealing as current solutions.

Other assumptions in the disruptive theory include that of Christensen, Baumann, Ruggles, and Sadtler (2006) who assumed that whereas a customer is key in any business, sometimes they

may not be able to afford the product or services offered in the market because of financial inefficiency and therefore the theory of disruption enables them to afford the same.

Since there are numerous other factors that could contribute to a consumer being able to afford a good or service that he was not previously able to, the assumption may not be accurate. For example, the government may come up with other regulations that include subsidies. There are further assumptions that indicate that the only firms that sustain innovation are those whose clientele base are high-end customers who help them enhance their performance. Kostoff et al. (2004). The same may not be true because organizations that are innovative not only target high-end customers but widen their market segments to ensure all classes of customers are satisfied.

### **2.3 Product innovation strategies**

The key advancements in the strategic development of a product happen to respond to global factual changes that make an unused combination of who, what, and how of vital strategic trailblazers. The ever-changing item needs that develop due to change in buyer inclinations, showed by mapping the ignored market sections by rivals, display a really quick source for key innovation

Strategic innovation practices offer noteworthy assistance for surviving trade insecurity and other challenges faced by organizations. Concurring to Gerry, Kevan, and Whittington (2006), strategic innovation practices are all organizational stages particularly corporate, business, functional and working strategies Product innovation or advancement gives the foremost self-evident for revenue creation in any organization that has intentions of strategic expansion Product innovation has an impact on firms' ability to maintain and grow competitive positions. Items have to be completely recharged and enhanced in order to maintain a strong market presence. Robert (1984) also classified product innovation into primary and secondary developments. The primary innovation was generally focused on the advancement of contemporary markets and related to situations where there is a significant change in

specialized creativity and a proportional change in consumer behaviour. Contrarily, secondary innovations are essentially company-centred and involves improving an existing market. In product innovation, one can separate the sorts of product advancement in terms of the degree of oddity related to them. A few advancements utilize a tall degree of an oddity, while other innovations include just small changes to an existing design. The enormous and little innovative changes resulted in some categorizing developments as either radical or incremental (Freeman, 1982)

Henderson and Clark, (1990) are more advanced in their analysis. Their examination consolidates both radical and gradual innovation but in a more intense investigation that's both substantial and resilient. They allow us to analyse modest advancements in a product and foresee their effect in relation to their competitiveness in the marketplace. The two researchers go on to say that products are systems that are essentially made up of parts that fit together precisely to perform a specific purpose. The two notes that two specific types of information are ordinarily needed to develop a product, specifically, component and system knowledge.

Component knowledge is Information about each component that carries out a specific task within a larger framework to produce the product. The fundamental design principles incorporated into the components include some of this knowledge. System knowledge is generally understanding the integration and interconnection of components. The information frequently relates to how the framework functions as well as how the various parts are organized and interact. The two make references to this as architectural expertise.

### **2.3.1 Incremental product innovation**

Through component enhancements rather than alterations, incremental product innovation improves and advances an existing plan or design of an object. According to Christensen (1997), incremental innovation is a modification that strengthens a firm's component development capabilities. Incremental improvements are the foremost common. For most

items and services to be improved over time, dynamic progressions in information and materials are fundamental.

### **2.3.2 Radical product innovation**

A radical product innovation that is comparatively rare calls for an entirety of an unused plan, using a new component configured and coordinated into the plan in an unused way. Henderson and Clark (1990) state that radical innovation sets up an unused winning plan, and thus an advanced set of centre plan concepts epitomized in components that are associated together in a modern design. Radical product innovation is regularly linked with the presentation of new and modern innovations. In other instances, this will be a changing innovation; maybe indeed one related to the transforming impact of a Kondratiev long-wave. It incorporates both unused components and a cutting-edge plan with an unused design that joins the components together in an assorted way (Howells, 2005)

### **2.3.3 Modular product innovation**

This does not include an entire modern plan. It uses the design and course of action related to the existing framework of an existing built-up item but utilizes unused components with distinctive plan concepts. It includes modern or at the slightest altogether distinctive components. While some system components perform differently as a result of new technology transformation, the overall system and its configuration/architecture do not change. In the communication industry, mobile solar phones have been introduced. Those who have no access to electricity are able to use the phone solar panel to charge the phone while those with access to electric power are able to charge the same phones and still communicate.

### **2.3.4 Architectural product innovation.**

The components and other related plan concepts remain the same with architectural item development, but the framework's arrangement changes when modern linkages are implemented. Henderson and Clark (1990) indicates that the core of structural item development is the reconfiguration of a setup framework is to make better the interface of an

existing components. Ordinarily, not to deny a couple of alterations to the components. Producers may take advantage to refine and make strides in a few components, but fundamentally, the adjustments wouldn't be major in clearing out the components to operate like in the past but within a contemporary, re-designed and re-arranged framework.

#### **2.4 Measures of organizational performance**

A Firm's bearings should be set to give direction, build up objectives, execute choice, and screen its state and behaviour as they work on its objective to be assured of its continuation and success. For a firm to know its level of innovativeness, the firms look at the performance assessment and additional control metrics that measures the degree of accomplishment. Execution in such a setting implies the accomplishment of an undertaking with regard to a few criteria (Machuki and Aosa, 2011). They continue to observe that organizational performance provides a clue as to an organization's efficacy; hence, different pointers like adequacy, efficiency, financial viability, and significance to partners are used as a gauge of organizational performance.

Organizational performance are the standards of efficiency in an organization, its effectiveness in relation to delivering quality goods and services and being accountable in a given work environment within which they operate. Accountability in this case means being productive, being compliant to the set regulations whether within the organization or government regulations. Although not conclusively assessed, other researchers maintain that different initiatives with regards to innovation improve the effectiveness, efficiency and accountability.

Growth and development, profits, balanced scorecards, Financial esteem included, action-based analysis, customer esteem examination, and client fulfilment are a few of the systems that researchers have found and considered as viable in measuring the performance of a firm. (Kaplan and Norton, 1996; Santos and Brito, 2002) However, numerous researchers have

consistently concurred that there is no single operational degree for assessing organizational success because it may be a multidimensional hypothetical measurement (Richard et al, 2009)

Financial indicators, like return on assets and return on equity, are frequently used to gauge an organization's success. Additionally, subjective metrics like resource generation, educating and learning, competitiveness, and research and knowledge development can be as a performance indicator in an organization.

## **2.5 Impact of product innovation on organizational performance.**

Innovation has a significant effect on a firm's development and performance for it creates an improved market position hence enabling the corporate firms to gain a competitive edge and predominant performance. A number of researchers consider intensively looking at the connection between innovation and performance that gives a favourable analysis of higher innovativeness coming about in improved performance in an organization (Damanpour and Evan, 1984; Damanpour et al., 1989; Wu et al., 2003). Product innovation will hence empower firms to extend their brands or items in a given market hence making them subsequently expand the Competitive advantage.

Kemoli (2012); Kamakia (2014); Thiong'o (2019) and Odhiambo (2008) have each carried out research locally on the topic of innovation relating the same to the performance of the different organizations under research. They concluded that organizations that focus on the advancement of better products and or services have attracted more customers and maintained the existing ones hence attracting competitive advantage, creating a superior shareholder value, and enhancing the general performance of the organization. Lilly and Juma (2014) conducted a descriptive analysis using a sample of 30 banks to examine the impact of strategic innovation on bank performance in Thailand. It was noted that the strategic innovative measures employed by the banks highly affected the bank performance. There was a good correlation existing between perspectives of costs administration of vital innovative processes, nonstop product

quality improvement, innovative measures, and performance. The idea that strengthening an organization's strategic creative capacity in relation to the products and or services is an important measure to improving profitability and growth hence enabling them to achieve sustainable competitive advantage.

### Summary of empirical Literature review and the knowledge gaps

Study	Method	Results	Knowledge gaps	Focus of this study
Establishing whether the external environment influences the performance of companies (Machuki & Aosa, 2011)	Cross-sectional survey	Strategic managers in the more uncertain environment are more proactive and innovative to enhance performance.	Not done in the cooperative industry No specific focus on product innovation.	Cooperative industry (Ushuru Sacco) Product innovation
Impact of strategic innovation on the performance of commercial banks (Kemoli, 2012)	Cross-sectional survey	Strategic innovation indicators and performance indicators when combined have a close relationship	Not done in the cooperative industry No specific focus on product innovation.	Cooperative industry (Ushuru Sacco) Product innovation
Establishing whether product innovation and technology influence the growth of small and medium enterprises in the petroleum industry (Thiongo, 2019)	Cross-sectional survey	Small and medium enterprises grew with internal product innovation as a positive contributor to growth and performance.	Not done in the cooperative industry	Cooperative industry (Ushuru Sacco) Product innovation
Effect of innovation strategies at the Kenya standard chartered bank (Odhiambo 2008)	Personal interviews.	Profitability at standard chartered bank largely due to the introduction of various innovative strategies from the product, technological and customer service,	Not done in the cooperative industry. Place equal emphasis on product innovation, technology and customer service	Cooperative industry (Ushuru Sacco) Product innovation
Effect of product innovation on the performance of commercial banks (Kamakia 2014)	Cross-sectional survey	Product innovation impact customer satisfaction hence a stand-out in market reputation leading to better performance.	Not done in the cooperative industry	Cooperative industry (Ushuru Sacco) Product innovation

**Table 1. Summary of empirical Literature review and the knowledge gaps; Source-Author.**



## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The research approach methodology that was used in the study is described or summarized in chapter three. It involves the study's research design, data collection techniques, and the data analysis methods.

It begins by providing philosophical introduction is evaluated to give the direction of the research work. The same is supported by a research design that clarifies the relationship that might exist among the factors fundamental within the study.

The chapter then outlines the target population in a clear way, explaining how the population was determined and engaged in order to achieve the study goals. This was administered through interview guides that will enable the administration of questions.

The chapter further examines how the information was collected and the strategies that followed after the people respond to each question, and the instruments used thereafter to justify each step. It also discusses the validity and consistency of the instruments used and how reliable the same is to provide quality results used to measure the intended goal.

### **3.2 Research design**

Under research design, a case study was used by the researcher. The same is settled on as it enables one to understand the phenomena since a case study is most convenient for examining the processes by which events unfold. The same explores the relationship between variables and a holistic understanding of phenomena. A case study, according to Creswell (2009), is a thorough investigation appropriate when the focus is on one organization. Mugenda (2003) also explains that a case study permits an examination to hold all encompassing and significant elements of actual life experiences.

In this research, the focus was on Ushuru Sacco Society limited hence the case study gives in-depth information on the effectiveness of product innovation strategies adopted by the Sacco and how the same influence their performance.

### **3.3 Data collection.**

Both primary and secondary data was adopted in data collection. Primary data was collected using self-administered interviews while the secondary data was collected using Ushuru Sacco publications, journals, and data gotten from the Sacco website that include financial statements and strategic plans.

The self-administered interview questions were open-ended; this will enable the researcher to gather qualitative information. The open-ended questions were preferred to enable the researcher to get a better understanding and be able to insightfully interpret the results from the study. The guide was in three sections. We began with the General information about the respondent at Ushuru Sacco Society limited in the first section. The second part identified the product innovation strategies used by the society and the third part was devoted to identifying whether the product innovation strategies under part two influenced the general performance of the Sacco. The researcher will request the management in writing, seeking permission to conduct the study

The respondents were chosen at random from top-level and middle-level managerial positions. The selection is done in that manner because the research is all about product strategy. It's always at this level that strategic plans are made before the same is trickled down for implementation and feedback given to the management. Six people from the top and middle-level management were interviewed to have an insight into what product strategies were applied to enhance Sacco's performance. The interview was prearranged with the managers to ensure availability.

### **3.4 Data Analysis.**

Given that the data is qualitative in nature, analysis of the data was done by content analysis. Creswell (2003) contends that content analysis makes inferences systematically and objectively by distinguishing the indicated characteristics of the information received and using the same to relate to patterns. The responses obtained from the interviews were listed, determining those similar and grouping the information obtained then analysed.

After analysis, the researcher will conclusively look at the relationship between the different product innovation strategies employed in the society and performance. The analysed information will help the researcher to identify, interpret and make a distinguished scholarly judgment on the product innovation strategies employed by the Sacco to enable them to perform in the industry.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

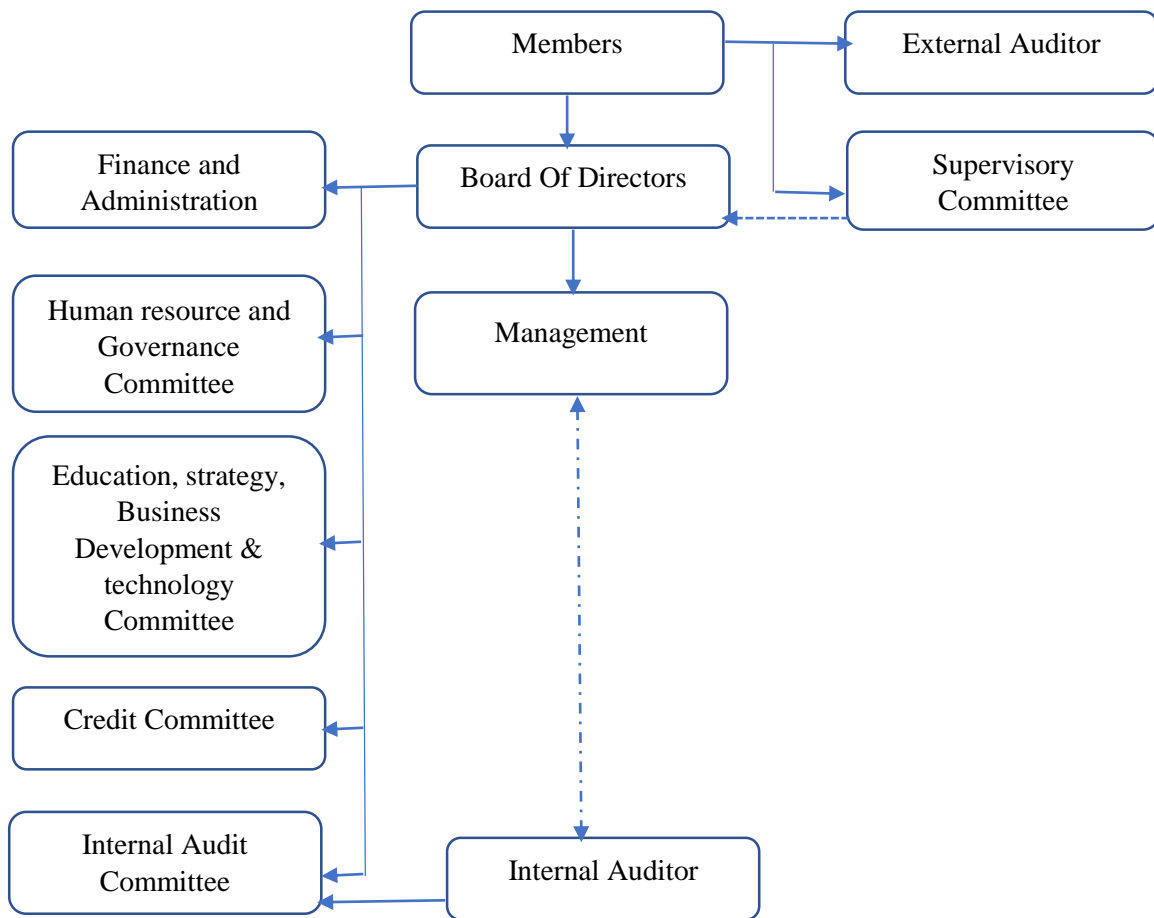
### **4.1 Introduction**

The study's primary goal was to determine how strategic product innovation affected the performance of Ushuru Sacco in Kenya. This chapter provides findings, data analysis, and discussions. Self-administered questionnaires used to collect primary data. This had open-ended questions . Secondary data was collected from the Sacco website and publications.

### **4.2 Ushuru Sacco profile**

The Society has a detailed organizational and governing structure in place. To ensure that all members of society receive high-quality services, the many areas of policymaking, management, and administration are clearly separated. Nine members of the society's Management Board are elected by its delegates. Delegates working in management, however, are exclusively selected from the Nairobi Region for convenience and ease. According to the Cooperative Societies Act and Rules, one-third of the Board members resign on a rotating basis. The Manager and all of the society's staff make up the Administration, which has daily management responsibilities and reports to the Management Board. The society's administrative tasks are grouped into departments, each of which has its own unique set of tasks.

## Ushuru sacco Organization Structure



**Figure 1: Ushuru Sacco Organization Structure; Source- Ushuru Sacco (2020).**

### 4.3 Response rate and respondent demographics

Given the qualitative nature of the research, only the top and middle level managers were selected for the study. Information considered were on the duration of operation, position held by the respondent, education level of the respondent. Also considered was asset base, and ownership structure. This was done in order to have a clear and deeper understanding of the Sacco in itself

#### 4.3.1 Response rate

All the respondents from the top and middle-level management at Ushuru Sacco submitted their responses on time, yielding a response rate of 100% that was accepted for analysis

### **4.3.2 Respondent Demographics**

This part was crucial for comprehending the nature of the study's population and how the general features of the population affected the study variables, specifically organizational performance and strategic product innovation. In relation to departments, the respondents came from the Internal Audit, Risk and Assurance, Information and Communication Technology, Operations and human resources, Finance and Credit. This study involved all managers and key staff that are charged with the responsibility of innovation. This gave the much required credence to the findings.

Five of the top-level managers interviewed had Bachelor's degree, one had a Master's degree. Of the middle-level managers interviewed, three had a master's degree while seven had bachelor's degree. This indicates that since all of the managers had completed minimum degrees in business-related fields, the majority of them were familiar with the ideas of strategic management. All of the top managers had been with the Sacco society for at least ten years, and at least four years for the middle level managers in their current roles.

## **4.4 Discussion of findings**

### **4.4.1 Strategic product innovations adopted by Ushuru Sacco**

Every respondent agreed that Ushuru Sacco had embraced innovation in a variety of ways. The respondents acknowledged that the organization has adopted strategic product innovation, mostly in relation to or through the procedures and operations to enhance performance of the society in the industry. The respondents have all acknowledged that after every five years, the Sacco reviews both its vision and mission and its strategic plan. The Board of Directors of the Sacco, jointly with the Management are responsible for the preparation of a five year strategic plan that incorporates product innovation strategies. Revenue assurance committee is formed to keep the same in check and ensure the strategies discussed are implemented.

Some of the product innovation strategies acknowledged by the respondents include benchmarking with other Saccos in the industry to acquire knowledge from them and improve on the products or come up with new products, listening to members feedback to know exactly how they feel about certain products for further improvement, conducting surveys to analyse the existing business environment in relation to products and or services offered and enhancing the features where need be, coming up with new loan products with lower interest rates and longer repayment period, product performance analysis to know of any features to add to the product if any, coming up with questionnaires which are sent to the members to fill and later an analysis is done on the customer need that will either lead to new product creation or new processes, introduction of new FOSA products, incremental changes to the existing product and Automation of system operations to introduce a new service all together or to improve on the existing service delivery process.

While the knowledge base theory aids in comprehending how Ushuru Sacco has responded to the external environment by adopting and utilizing diverse product innovation strategies in use inside the economic environment. According to this view, the product innovative tactics that are currently available as a result of knowledge pool acquired in the external environment through benchmarking, members feedback, surveys and questionnaires

The respondents also recognized the fact that many of the product innovations methods used by the Sacco come from the departments working together to pursue the Sacco's strategies. This is through the support of the organization structure where there are joint meetings by the Management Staff Committee and the Board of Directors. It was also clear that the Sacco has a Business Development department with a Manager in charge to spearhead product reengineering but through approval of the ad-hoc committee and the Board of Directors who convene to review the products on a quarterly basis. This therefore answered the question; how

the organization structure support product innovation strategy and how Resource base theory helps in comprehending how Ushuru Sacco the human resource in supporting product innovation strategies.

Additionally, the results showed that in terms of product innovation , the most adapted ones include Incremental product innovation, radical product innovation and Architectural product innovation. In incremental product innovation, the Sacco ensures that the component of the products already existing are enhanced rather than being altered. The products are enhanced after benchmarking with other Sacco societies, listening to members feedback, conducting surveys or even brainstorming amongst them to know what suits their members. This applied to Development, Refinancing, and Shujaa loan products.

In radical product innovation, the respondents confirmed that sometimes they use a completely new component to come up with a new product. In most cases the radical product innovation takes effect as a result of benchmarking, through surveys and through a one on one interaction with the customers during the members annual education days. Some are also discussed during the Annual delegates meeting that is also done annually. It was noted that the Sacco partnered with KRA to introduce the Salary Advance on Check off product to capture not only members of the Sacco but all employees of KRA.

Architectural product innovation is also used by the Sacco where the components of the product remain the same but other frameworks changes on the delivery of the product to the members. This include automation of system operations for example the application and processing and disbursement of a particular loan product becomes digital. Of note here was the FOSA pride loan product which was improved to include mobile phone access.



When asked how the Sacco management assisted in the process of product innovation, most the respondents agreed that the management assisted through the formation of product innovation committee to deliberate on the various innovative ideas for example the business strategy committee and also promoted innovative thinking by encouraging the staffs to share any innovative ideas that could enhance performance of the Sacco. Others confirmed that the management also encouraged foster collaboration with other Saccos, they employed the sales team to help in creating awareness on both new and enhanced products, availed financial resources to support innovative strategies and also Provided product performance analysis. Given this, Kemoli (2012) discovered one of the most effective strategic innovation strategies involved financial resources in order to enhance performance of any organization.

While the Sacco has connections with a number of other cooperative societies, some of the respondents noted that more work has to be done in order to fully utilize and reap the rewards of learning knowledge and technology through external links and networks. In relation to how successful the Sacco product innovation methods have been in enhancing the Sacco performance, the respondents agreed that the same has been successful given the performance of the Sacco in the industry and that the Sacco has gained competitive advantage in the industry. The same has also resulted in review of product parameters.

However, there were challenges faced in the implementation of product innovation, employee opposition, high implementation costs, a lack of skills and innovativeness, and a lack of support from other key stakeholders. As they will be responsible for putting the strategies in place and ensuring their success, it is crucial that the stakeholders support and own the innovation plans. The top management's support of innovative strategies is crucial in order to make resources available for the development and implementation of strategies. Other suggested solutions included rewarding innovative employees in order to encourage and nurture creativity and innovation within the organization.

#### 4.4.2 Performance of Ushuru sacco

In this section, the respondents' opinions about how strategic innovation affects members relationship with the Sacco, business performance, operational efficiencies, and market share in the cooperative industry are analysed. The respondents were questioned regarding their perceptions of how implementing strategic product innovation had enhanced their interactions with the Sacco members. The interviewees concurred that product innovation has substantially helped the business with customer relationship management through strategic innovation. The Sacco members have found value for their money.

Ushuru Sacco has been viewed as a responsive financial partner, there has been increased member retention and loyalty even upon retirement from formal employment. A comparison new member against those withdrawing for six months from January 2022 up to June 2022 confirmed this fact as shown in the table below.

#### Comparison of new members versus those withdrawing in the year 2022.

	Year 2022					
	January	February	March	April	May	June
New Members	44	132	88	76	63	78
Withdrawing members	5	18	23	31	0	17

**Table2: Comparison of new members versus those withdrawing in the year 2022. Source-Ushuru Sacco 2022.**

Members have been able to freely interact with the staff and give a feedback on how they feel about the Sacco. The members have gained confidence in the Sacco given that their individual needs are satisfied by the variety of products available. Because of established and convenient platforms that ease processes and meet members' needs excellently and on a timely basis, the members are positive in their relationship with the Sacco management. The members are more informed and confident about the Sacco products and sometimes end up being the Sacco ambassadors by recommending other non-members into the Sacco.

Seeking to know from the respondents how, in their opinion, strategic product innovation adoption has improved Sacco's performance over the previous five years. The respondents agreed that there was loan book and total asset growth in the last five years as shown in the table below. In view of this, Thiongo (2019) established that small and medium enterprises grew with internal product innovation as a positive contributor to growth and performance.

**Income, asset and loan book growth from 2017 to 2021**

	Kshs. Millions				
Year	2017	2018	2019	2020	2021
Loan Book	2,680	2,900	3,087	3,275	3,734
Total Assets	3,461	3,849	4,249	4,848	5,436

**Table 3: Income, asset and loan book growth from 2017 to 2021. Source; Ushuru Sacco 2022.**

The Sacco Societies Regulatory Authority classifies saccos into three tiers. Large tiered Saccos have total assets above Kshs 5,000,000,000.00, Medium tiered Saccos have between Kshs 1000,000,000 up to Kshs4,999,999,999.00, Small tiered Saccos have between Kshs 1,000,000,000 to Kshs 3,999,999,999.00 (The Sacco Societies Regulatory Authority,2022). Ushuru Sacco has transitioned to a large tiered Sacco in the year 2021.

There has been increased membership, revenue and returns on members investments as shown in the table below.

**Membership, revenue and returns from 2017- 2021**

Year	2017	2018	2018	2020	2021
Gross Revenue Kshs Millions	367	395	444	499	609
Total returns Kshs millions	266	253	257	318	387
Membership	5,946	6,392	6,766	7,152	7,513

**Table 4: Membership, revenue and returns from 2017- 2021. Source; Ushuru Sacco 2022**

On the market share There were differing opinions on the same. Three participants believed that the application of product innovation strategies has not always led to a gain in market share. This is because, in their opinion, a rise in market share is not truly caused by the adoption of strategic product innovation but rather by an expansion of office branches in a given environment. Other participants claimed that large sales achieved since the organization participated in strategic product innovation is thought to be a sign of market share.

Others confirmed that the automation of most operations has made the processes simple and faster hence efficiency in service delivery. When respondents were asked how strategic product innovation had affected operational efficiencies over the previous five years, all agreed that it had decreased operational expenses and increased operational efficiencies. The respondents in every case stated that implementing product innovation strategies has significantly decreased operational bottlenecks caused by an increase in the usage of human resources. The Sacco strategy of automating operations more wisely has enhanced seamless operation in the Sacco greatly increasing operational efficiencies throughout the Sacco's operations. Additionally, technology has reduced the need for labour by increasing system automation, which lowers expenses and human error.

## **CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter focuses on a summary of the findings arising from the discussions in chapter four, presented in accordance with the study's objectives, and offers conclusions and suggestions. The study's goal was to ascertain the strategic product innovations introduced at Ushuru Sacco and how the same has contributed to the organization's performance

### **5.2 Summary of Findings**

The study's response rate of 100% was rated suitable and favourable for the study. The study not only had a strong response rate, but it also had a representative sample of participants who came from various backgrounds. All those who responded had worked for the Sacco for not less than four years, making them quite aware of Ushuru Sacco's strategic plan for the year 2018-2022. All the respondents had a minimum degree level of education.

### **5.3 Strategic product innovations adopted by Ushuru Sacco.**

According to the findings, Ushuru Sacco Society Ltd. implemented product innovation that primarily included Incremental product innovation, radical product innovation, and Architectural product innovation. For Sacco's success and for it to gain a Competitive advantage in the industry, Sacco implemented the above product innovations by using different strategies. The same include benchmarking with other Sacco societies, Members' feedback during education days and through questionnaires sent to them, conducting surveys, automation of system operations for quality and efficient services, support from the management through the provision of both human and financial resources, and through the support of strategic thinking from the staff.

#### **5.4 Strategic product innovation and performance of Ushuru Sacco.**

The study's findings showed that the interviewees generally agreed that strategic product innovation had considerably benefitted the company's customer relationship management. The results demonstrated that greater financial performance was also a result of strategic product innovation. Sacco Business performance has been impacted by strategic product innovation through increased member recruitment and increase in uptake of loans hence improved source of revenue. The results also showed that Sacco's use of strategic product innovation through automation of system operations has helped it lower operating expenses and boost operational effectiveness. The use of strategic innovation approaches has enabled Sacco to grow in all aspects, enabling it to transition to Tier one Sacco.

#### **5.5 Implication of the study**

From the findings of the study, Ushuru Sacco management is able to link organizational strategic plan to the operational activities related to strategic product innovation and be successful in terms of performance. Ushuru Sacco is able to provide credible empirical data and evidence on the sustainability of Sacco's performance through product innovation. Through the study, the process of resource generation, teaching, learning, research & knowledge creation is demonstrated as having a positive relationship with strategic product innovation, thereby supporting the argument that strategic product innovation enhances the general performance of a firm. By affirming existing hypotheses and accommodating earlier information within the more extensive field of advancement, the results of the study adds to improvement of information in both the areas of methodology and corporate innovativeness. The establishments of organizational performance indicators forms a basis through which the government establishes when and where to provide support financially to firms who become innovative in their activities purposely for economic growth.

The study results serve as a guide to those who design government policies hence re-defining approaches that lay establishment for vital product innovation. The approaches improve the country, s global competitiveness, nation's economic flexibility and achievement of fundamental national goals. The management of Ushuru Sacco is able to develop and implement a product innovation strategy as part of its business strategy plan that will build the firm's capacity to gain a competitive advantage It serves as a resource for future analysts on relevant topics in addition to assisting other academicians working on the same topic and draw attention to additional crucial issues that demand more study

## **5.6 Conclusion**

The study found that Ushuru Sacco Society Ltd. has actually embraced strategic product innovation along lines of Incremental product innovation, radical product innovation, and Architectural product innovation Its discovered that Sacco's implementation of product innovation had impacted Sacco performance positively. Strategic product innovation has specifically improved Sacco revenues, operational effectiveness, and customer management. Additionally, the results show that Ushuru Sacco Ltd.'s market share has not been impacted so much to its expectation by strategic product innovation.

## **5.7 Recommendations**

The conclusion suggests that Ushuru Sacco should pursue strategic product innovation more and more, as doing so would significantly improve the performance of Sacco. The study also suggests that managers give Sacco a high priority in relation to practices in innovation, because this has the most possibility for raising the performance of Sacco overall. According to the study, the Sacco should give strategic product innovation activities higher priority when allocating resources. The effectiveness of Ushuru Sacco will be greatly enhanced by this.

### **5.8 Limitations of the study**

This study's primary disadvantage was that it was solely qualitative, which made it difficult to determine how strategic product innovation affected the Sacco. A clear image of the impact of strategic product innovation may be skewed when relying on the respondents' viewpoints because it depends on the arbitrary responses of those who took part in the interviews.

### **5.9 Suggestions for further research.**

To gain a more comprehensive knowledge of the impact of strategic product innovation on the cooperative industry, the study suggests that a comparative study be conducted on tier one and tier two SACCOs. It is recommended that additional research should be done using a mixed study design. This should be both qualitative and quantitative so as to analyse how strategic innovation affects performance and also to understand why it does so.



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## APPENDICES

### APPENDIX 1: INTRODUCTION LETTER



**UNIVERSITY OF NAIROBI  
FACULTY OF BUSINESS AND MANAGEMENT SCIENCES  
OFFICE OF THE DEAN**

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Our Ref: **D61/33927/2019**

November 09, 2022

National Commission for Science, Technology and Innovation  
NACOSTI Headquarters  
Upper Kabete, Off Waiyaki Way  
P. O. Box 30623- 00100

**S**

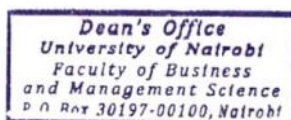
**RE: INTRODUCTION LETTER: JUMA MERCY ACHIEN'G**

The above named is a registered Masters in Business Administration candidate at the University of Nairobi, Faculty of Business and Management Sciences. She is conducting research on "***Strategic Products Innovation And Performance Of Ushuru Sacco In Kenya.***".

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the Project.

The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.



**PROF. JAMES NJIHIA**  
**DEAN, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES**

## APPENDIX 2: INTERVIEW GUIDE

The interview guide is purposely designed to collect data from Ushuru Sacco limited. The application of product innovation strategies and whether the same lead to improved performance in the Sacco. The. Data will solely be used for scholarly purposes and will be kept as highly confidential. Sample questions are provided in the following sections.

### PART ONE: RESPONDENT'S BACKGROUND

1. How long have you worked in the Sacco?

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2. What's your position in the Sacco?

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3. In which department or division do you work?

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4. What's the highest f education level you have attained?

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### PART TWO: PRODUCT INNOVATION STRATEGIES USED BY THE SACCO

1. Does Sacco have a vision and mission statement?

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2. Does the Sacco have a documented strategic plan?

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3. How often does the Sacco review its vision and mission statement?

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4. How long does it take the Sacco to review the strategic plan?

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5. Who is responsible for the preparation of the strategic plan?

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6. Does the Sacco have a product innovation strategy in place?

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7. When was the current product innovation strategies developed?

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8. Give the product innovation strategies the Sacco uses to enhance performance if any.

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9. How many product innovation strategies have the Sacco made in the last five years?

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10. How does the organizational structure support product innovations in the Sacco?

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11. How has the Sacco's management assisted the process of product innovation process?

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12. How successful do you think Sacco's product innovation methods have been in enhancing the organization's performance?

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**PART THREE: HOW PRODUCT INNOVATION STRATEGIES ENHANCE THE PERFORMANCE OF THE SACCO.**

1. In your own view, how have the different product innovation strategies enhanced the performance of Ushuru Sacco?

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2. Describe how product innovation strategies adoption has improved your relationship with the Sacco members

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3. In your view, what achievement (s) has Ushuru Sacco gained by adopting the different product innovation strategies?



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4. Organizations should work towards achieving better results, kindly explain how the adoption of product innovation strategies has improved Sacco's performance over the last five years?

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5. Describe how product innovation strategies have impacted on the Sacco operational efficiencies for the last five years.

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