STRATEGIC INNOVATION AND GROWTH OF FIRMS IN THE REAL ESTATE INDUSTRY IN NAIROBI KENYA

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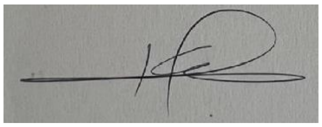
A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

2023

DECLARATION

This study is my initial effort and work and has not been used or presented in any other college.

Signature  Date 13th July 2023

Kennedy Otieno Oduor **D61/38398/2020**

This research project has been submitted and approved for review with my guidance and approval as the faculty supervisor.

Signed......  Date....**14/07/2023**

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DEDICATION

I dedicate this project to my family, whose support and understanding have been the bedrock of my journey. Throughout the ups and downs, you've been my guiding light and source of inspiration.

To my spouse, Marion, your constant encouragement, and belief in me have fueled my determination to reach new heights. Your patience, understanding, and sacrifices have allowed me to pursue my passion and strive for excellence.

To my wonderful children, Giovanni, and Mazuri, you are my greatest motivation. Your presence reminds me of the importance of creating a better future, not only for myself but also for the generation to come. Your innocent eyes and boundless curiosity constantly remind me of the impact our work can have on shaping a brighter world.

To my late parents, Sylvester, and Jennifer, thank you for instilling in me the values of hard work, resilience, and pursuit of knowledge. You instilled confidence in me and brought me up to take on challenges fearlessly. You gave birth to a go-getter.

This project is a testament to our collective journey as a family. It represents the countless sacrifices you have made and the countless hours of support and encouragement you have provided. Your belief in me has been the driving force behind my aspirations, and I am forever grateful for your unwavering love.

With all my love and gratitude

Kennedy Otieno

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I'd also like to extend my heartfelt gratitude to my supervisor, Dr. Catherine Ngahu whose expertise, knowledge and guidance have been invaluable. *Daktari* your insightful feedback, constructive criticism, and continuous support have shaped the direction of this proposal and helped refine its content.

Furthermore, I'm deeply grateful to my classmates and group members for the collaborative spirit during our group discussions. We've been each other's accountability partners by motivating and giving each other moral support to successfully complete their course work and projects on time.

Lastly, I'd like to thank my family for their patience and understanding during this journey. Their love has been a constant source of motivation and inspiration. I'm truly grateful for their presence in my life.

With heartfelt gratitude,

Kennedy Otieno

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ABSTRACT

This research paper investigates the impact of strategic innovation to growth dynamics of real estate firms in Nairobi, Kenya. Firms in Nairobi's real estate sector have difficulty sustaining growth while keeping a strategic edge as the market grows more competitive. To address this, the study investigates the importance of strategic innovation in driving these organizations' success. The study takes a qualitative approach, employing in-depth interviews and case studies of selected Nairobi-based real estate firms. The study intends to unearth crucial insights by studying these firm's strategic innovation processes and their influence on growth. The findings show that strategic innovation is critical to the growth and success of Nairobi's real estate firms. Strategic innovators are better positioned to adapt to market dynamics, capitalize on emerging possibilities, and differentiate themselves from competition. The study identified strategic innovation, business model innovation, customer-centric initiatives, and strategic alliances as key growth factors. The findings provide useful insights for real estate enterprises and industry participants, laying the groundwork for the development of strategies and policies that promote innovation and growth. Firms working in the Nairobi real estate business can position themselves for long-term growth and competitive advantage by using strategic innovation. In conclusion, this study highlights the significance of strategic innovation in the growth of enterprises in the Nairobi real estate industry. Real estate enterprises in Nairobi may navigate the volatile market situation and achieve long-term growth by embracing strategic innovation. The findings of this study can help enterprises, policymakers, and industry players in Nairobi, Kenya stimulate innovation and drive the expansion of the real estate market.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Innovations and creative ideas are linked to strategic management. A firm's innovation strategy is a key part of creating long-term plans since using strategic innovation is considered to be one of the fundamental conditions for success and competitive advantage in an organization (Kralewski, 2012). value creation, growth, profitability, and Competitiveness are all driven by strategic innovation (Ionescu & Dumitru, 2015). The utilization of resources to accomplish an organization's innovation goals will help managers through innovative strategies to develop value and a competitive edge for a company (Thatrak, 2021). in order to achieve improved performance and firm growth, managers usually ensure that strategic innovation concentrates on developing inventive capabilities in response to environmental changes. A company with strategic innovation has the ability to improve an existing product or service, use a new technology process, begin a new organization, or begin the process of developing new goods or services. As such, strategic innovation leads to growth of firms, and this is seen in terms of the new changes in the business operations and success. Strategic innovation helps companies manage the process to create high growth in the long run.

This study is guided by Schumpeter theory of innovations and resource-based theory. According to the Schumpeter model, innovation consists of a number of collaborative and interactive interfaces that work to produce inventions in the face of existing opposition rather than being a single, independent act. As a result, it is evident that the invention is both a normal, institutionalized at large enterprises and as a social component of a corporation. The resource-based view, however, contends that a firm's internal resources are essential to boosting its long-term growth and performance as well as its ability to gain a competitive edge (Siniak et al., 2021).

In Kenya, organizations are slowly adopting strategic innovations in their major operations. Since it has been noticed that strategic innovation is one of the organizational processes for redesigning or reinventing its corporate strategy to drive growth of enterprises in many industries, create competitive advantage, and create value for the company and its customers. Thus, for businesses to succeed and adapt to the rate of technological change, this kind of innovation is crucial. Despite this, analysis of how strategic innovations affect the firm success and growth trajectory is still lacking. Therefore, the purpose of this study is to assess how strategic innovations have affected the development of real estate enterprises in Nairobi, Kenya.

1.1.1 Concept of Strategic Innovations

The term strategic innovation refers to the general propensity in which an industry is in a position to support performance and manage new products or technical practices, inventive processes attributed by new services, concepts, and experimentation, (Sitek, 2019). As such, the adoption of innovative practices by any firm is crucial considering the fact that it determines the success of a firm and a tool for innovative direction for the entity (Olufemi & Banjo, 2019). Strategic innovation helps firms to plan for their new ideas based on their technical capacity.

Xiao and Xu (2017) noted that strategic innovation is known to be long term core objectives of an entity and assemble the resources, activities that need to be put in place to achieve the overall objective. Karlsoon and Tawassoli (2015) define the term strategic innovations as the tools and techniques that are aimed at determining the extent in which a company tend to use digital tools and plans with the expectation of achieving the business strategy and improve the overall performance. As such, innovation strategies tend to offer an entity a strategic option that will offer a clear platform aimed at enhancing long-term success of a firm through competencies with prospects in the internal environment and alignment of company's assets (Ouma & Kilika, 2018). On the other hand, innovation strategy aims at ensuring that companies especially the real estate companies can be able to choose which innovation best satisfies their organizational objectives over the long term.

1.1.2 Concept of Growth of Firms

The term firm growth refers to a level of change in firm operations. Chandler and Hanks (2014) claim that disparities in degrees of company's' values, core interests, and sales may be used to identify firm growth. These perspectives demonstrate the power behind economic expansion. According to the majority of research findings, customer value has a capacity to serve as a direct determinant of buying behavior. Xiao and Xu (2017) indicate that customer happiness is one of the factors that contribute to a company's growth. In other words, the more satisfied a client is, the more successful the company becomes.

Sitek (2019) argued that firm growth is a collection of developed, planned, and organized settings of ideas intended to attain satisfaction and success of firms. The pricing, product attributes, competition dynamics, purchasing patterns and customer behavior are factors that influence the business growth fueled by various differences. The standardized method makes the assumption that fundamental human expectations, wants, and needs are separable from cultural, national, and geographic borders. Though human nature is universal, according to an adapted differentiation method, various cultures produce diverse demands, even though there will be comparable fundamental wants. This means that to create satisfaction real estate firms may have different appeals across markets. Satisfaction can drive firm growth; satisfaction can also drive firm growth strategies (Johnson and Scholes, 1993).

1.1.3 Real Estate Industry in Nairobi, Kenya

Real estate sector involves renting, developing, or purchasing out homes with an eye toward the future, is referred to as real estate investment (Ridzuan & Ali, 2012). The real estate sector of the economy is an essential or multi-dimensional sector used for storing state wealth (Chartres, 2017). The growth and durability of connections between real estate agents and customers is recognized as a leading innovation since the real estate sector is human-oriented (Reshidi, 2015). Given the high capital requirements of real estate investments, the success of the project will be significantly impacted by the cost of capital (Dobre, 2011).

The capital-intensive investments and ability to provide jobs for people makes the real estate sector have a bearing on the economic growth of a nation (Reshidi, 2015). The dynamics of innovation in the real estate industry are focused on the manufacture of building materials, which offer comfort and aid in energy conservation, making housing even more cost-effective and accessible (Ridzuan & Ali, 2012). But when discussing the expansion of real estate enterprises from an academic and legislative perspective, real estate innovation initiatives frequently receive little attention. Even while global real estate financing and investment is quite high, it is truly surprising how little attention has been paid to the sector (Chartres, 2017).

According to Chomba (2019), the real estate market in Nairobi, Kenya, has seen a number of significant developments recently. The expanding population in Nairobi, Kenya, which requires more financing and housing during both the final consumer phases and construction, is one of the sector's biggest issues (Dobre, 2011). Similar to many other African countries, Nairobi, Kenya's real estate market is characterized by a persistent shortage and strong demand of formal housing for low-income and middle-class people. As such, the government has adopted affordable housing policy that aim at promoting innovative ways of building more houses in the city. However, this is still a challenge due to lack of resources and the high number of low-income individuals living within informal settlements in the region.

1.2 Research Problem

The creative implementation or regeneration of fresh concepts that can result in meaningful changes to a good policy, program, structure, or activity is known as strategic innovation. More sophisticated consumer needs and industry competitiveness are the key forces behind the creation of the new items. With strategic innovations, firms find it cheap and easy to promote their growth rate and this is important in general success of the firms. According to Kanyuga (2019), strategic innovation promotes growth of firms since it helps firms to form new ideas, to brand their image and to partner with others in sharing new technology and tools. It is the strategic innovation that ensures that firms are running their operations smoothly within time and based on different models of operations (Jamai, 2022).

In Nairobi, Kenya, firms have realized that selling or purchasing a house is one of the most significant financial transactions a customer will ever make; this makes strategic innovation as one of the vital activity an individual or a company has to be involved in. Given the size of the real estate industry and the large capital needed, firms in the industry are compelled to adopt strategic innovation. However, the key challenge has been how the firms can use strategic innovation to promote their growth.

Since the demand for real estate in Nairobi has grown to an all-time high over the past ten years, additional research is necessary to find out various factors leading to the rise. Nairobi is one of the areas with high developing real estate sector and majority of the people live in Nairobi in Kenya. This has led to more houses with government support and levy (KNBS, 2023). Kenya also house many diplomats and majority of them live within Nairobi. This calls for the need for the expansion of the sector and provision of additional road facilities in the region.

Numerous studies have explored the correlation between strategic innovation and the growth and success of companies. In the context of the Thai real estate industry, Thatrak (2021) examined how strategic innovation impacts organizational performance and growth. The findings indicated a positive association between strategic innovation and improved performance and growth. Similarly, Gómez-Prado et al. (2022) investigated how startups in Peru can achieve international expansion through strategic innovation. Their research highlighted the significance of product innovation and market intelligence in attaining a competitive advantage and facilitating international growth. In a separate study, Olufemi and Bano (2019) focused on the impact of strategic innovation on business development in Lagos-based SMEs. Their findings revealed that strategic innovation plays a vital role in enhancing profitability and competitiveness. However, it is worth noting that these studies were conducted outside the Kenyan context and were primarily centered around industries other than real estate.

Furthermore, Kirabo et al. (2020) conducted a study to investigate the impact of strategic innovation on the success of telecommunication companies. They employed a descriptive survey design to gather both qualitative and quantitative data for analysis. A correlation test revealed that strategic innovation and the success of telecom giants in Rwanda are strongly related. Jamai (2022) also acknowledges that strategic innovation is critical in business growth and sustainability and should be embedded in organizational structures and processes. Kanyuga (2019) realized that the performance of Kenyan telecommunication companies has been varying due to the volatile nature of the industry and the environmental factors. In their study, Areri et al. (2020) lament that Kenyan public universities overly rely on capitation funds on their revenue sources and should consider strategic innovations in their operations. However, these studies were done before 2022 and they all focus on banking, educational and telecommunications industry, leaving conceptual gaps.

In this regard, it is worth mentioning that there have been limited studies conducted on this particular topic, and those that have been undertaken often draw from literature outside of Kenya, utilizing a case study approach. In contrast, the present study will employ cross-sectional models. Moreover, it is noteworthy that the majority of studies have focused on sectors other than real estate, thereby creating methodological, conceptual, and contextual gaps. Consequently, the objective of this research is to bridge these identified gaps by addressing the following question: How do innovative strategies influence the growth of real estate companies in Nairobi, Kenya?

1.3 Objectives of the Study

This study's objective was to determine how strategic innovations have affected the expansion of real estate companies in Nairobi, Kenya.

1.4 Value of the Study

This study holds significant implications for the management of real estate firms, as it provides valuable insights into the impact of strategic innovations on the growth of real estate companies in Nairobi, Kenya. By comprehending the relationship between strategic innovations and firm growth, top-level management can acquire knowledge of effective practices and plans that can enhance overall success in the long run.

Moreover, government stakeholders stand to benefit from this study. The findings will offer valuable insights that inform policies pertaining to the growth and strategic innovations within the real estate sector in Nairobi, Kenya. This research will assist policymakers in formulating strategies, policies, and official documents that precisely delineate how innovative strategies influence the growth of real estate firms in the region. Such informed decision-making is of utmost importance in effectively managing legal programs and fostering favorable economic conditions in the country.

The research is effective in promoting development of new theories. It will benefit future scholars and researchers since they would use these study findings in guiding their future studies. Moreover, this research will act as a reference point in analysis issues associated with the strategic innovations and the growth of real estate in Kenya. This will define future research and provide points of reference to other scholars and researchers on the scope of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This research explores a number of previous but relevant studies, focusing mainly on available data on the topic of the research. The section discusses theoretical background, concepts and theories of the study and how they relate. The chapter also delves on empirical review and knowledge gaps.

2.2 Theoretical Foundations

The research is guided by resource-based theory of firm growth and success and Schumpeter Theory of Innovations.

2.2.1 Schumpeter Theory of Innovations

This theory of innovation was created by Schumpeter in 1942 and argues that ideas are produced through a network of interactive and collaborative interfaces that attempt to overcome existing opposition. As a result, it is evident that the invention is both an institutionalized and normal process at major enterprises (Kohler, 2008). According to Schumpeter concept, the process of industrial change that drives innovation is one that continuously transforms the internal workings of the economic system, creating a new one, and eradicating the old system (Sledzik, 2013).

According to this concept, innovation may be divided into three categories. Firstly, an imaginative process where true idea development occurs (Kaya, 2015). In this stage, basic innovation and invention often have less of an impact on the condition of the economy than imitation and diffusion (Sledzik, 2013).

The concept claims that it is the responsibility of enterprises to create an innovation strategy that incorporates process, market, and product innovation. Typically, organizations that adopt a certain kind of innovation may be defined as using a clear and concise approach to innovation (Karlsson & Tavassoli, 2015). The theory's main premise aims to provide insights into how an entity might generate profits, which are attributable to inventive processes that lead to a new way of using the available production resources.

This theory is appropriate for the research since it is predicated on the concept that innovation is seen as a major force behind competitiveness and economic dynamism (Sledzik, 2013). The theory's primary focus is on how businesses must employ innovation to go forward with new opportunities that arises in the country (Molaschi, 2010). Since innovation contributes to the improvement of success and organizations' survival, the research explains clearly why it is a crucial part of real estate businesses.

2.2.2 Resource Based Theory

The resource-based approach paradigm was created by Wernerfelt (1984), which claims that enterprises' internal resources are essential for boosting an entity's performance and competitive advantage that leads to operational success (Nuryakin, 2018). Also, according to the concept, resources identify a company's competitive advantages and disadvantages and determine its eventual return on its managed assets (Wang, Lin & Chu, 2011). The concept holds that profitable long-term stratagems are developed from the distinctive business-owned resources (Cegliski, 2016). These resources include managerial techniques or information that the entity clearly has as well as unprocessed materials for manufacturing (Chartres, 2017).

According to Laosirihongthong, Prajogo & Adebanjo (2014), the Resource Based View (RBV) theory, imitability, substitutability, value, and rareness, are the four factors that may be used to evaluate the potential of an entity's resources to establish economic competitiveness. As a result, an entity that possesses limited and valuable resources like expertise, physical assets, organizational cultures, patents, information, and capabilities may make use of those resources to carry out value creation strategies in order to accomplish organization success.

The RBV gives academics a technique to investigate how to improve competitive advantage as well as company strategic and resource development (Shih, 2018). The competitive advantage of a firm, according to the RBV concept, is determined by its better internal resources rather than the structural characteristics of an industry (Chartres, 2017). According to RBV, a business may leverage its capabilities and resources to succeed and become more competitive (Samad & Aziz, 2016). According to this study's application of RBV theory, management practices that support the acquisition and growth of various resources, including innovation tools, can contribute to a company's expansion.

2.3 Strategic Innovations and Growth of Firms

It has been theorized by a number of authors that there is a connection between business growth and innovation. According to the Schumpeter innovation theory, new organizational changes, fresh suppliers, a variety of markets, innovative manufacturing techniques, and products may all be used to boost a company's growth in a country (Köhler, 2008). The diffusion of innovation hypothesis (DOI) asserts that complete adoption of new technologies increases innovation acceptance, which strengthens the firm's competitive advantage. Innovation acceptance is compared to how quickly a new concept is embraced by organizational clients (Murray, 2009).

According to the resource-based view (RBV), businesses with unique methods that may increase their net worth of an organization are extraordinary and difficult to copy. They can also utilize and manage their resources, which may provide a foundation for long-term competitive advantage (Wang, Lin & Chu, 2011). The RBV also shows that innovation is a key factor in economic growth and that countries that produce and adopt innovative solutions as well as foster uniqueness grow more quickly than those that do not. For businesses to be smart in boosting productivity, they must have a good understanding of the history of new ideas (Chartres, 2017). This means that strategic innovation is associated with high firm growth.

2.4 Empirical Review and Knowledge Gaps

Strategic uniqueness was studied by Thatrak (2021) to see how it affected the success, productivity, and growth of Thai real estate companies. From November 2020 to February 2021, the researcher gathered data using Google forms from 192 people. The study used structural equation modeling (SEM) to analyze the impact of strategic originality on firm outcomes including performance and growth. Strategic originality was found to have a positive effect on business outcomes and growth in the study. The author argued that strategic originality is critical to gaining a competitive edge, creating value, and driving company expansion. According to the author, this kind of innovation gives businesses the flexibility to respond to the rapidly evolving nature of the technology landscape.

SMEs that include more sustainability-focused programs in their business strategies benefit from expansion opportunities. However, in Malaysia, Islam and Wahab (2021) noted that SMEs are still far from holistically adopting. The duo embarked on a study to investigate how strategic innovation would bring about growth in Malay SMEs based on QBL-QHIM theoretical perspectives. Their analysis took into account numerous literatures from the management and entrepreneurship sectors, embracing a recently-emerging concern for sustainable company growth of SMEs in the country. Their findings show that holistic strategic innovation makes business growth more sustainable and comprehensive.

Gómez-Prado et al. (2022) studied how startups In Peru can develop and expand internationally through strategic innovation. A total of 200 active startups across the nation provided replies for the survey. They employed a PLS-SEM approach with market intelligence, product innovation, and corporate competencies related to globalization as predictor variables. Performance and International growth served as the outcome variable while competitive advantage served as the mediating factor. They found that product innovation and market intelligence impacted competitive advantage and consequently international growth. Therefore, by improving competitive advantage, product innovation and market intelligence improved international business growth.

Shelomentsev et al. (2021) set out to explain the dynamic nature of innovation and its impact on national market expansion in the context of shifting international supply chains. To address the issue, they employed econometrics in addition to structural and comparative analysis. The study looked at the World Bank's classification of 44 nations as low, middle, and high income. Their findings emphasized the significance of strategic innovation in the reorientation of national economies. The resulting interdependence let us learn more about how strategic innovation affects the growth and development of global value chains (GVCs) and the product and process evolution of individual enterprises.

In Nigeria, Olufemi and Bano (2019) investigated the strategic innovation influence on business development in Lagos-based SMEs. They implemented a survey research design on a sample size of 742 SME managers and owners (arrived at using the Cochran formula). with a response rate of 92.6%, the study collected data using a structured questionnaire. The instrument was tested for reliability and construct validity. The authors found that strategic innovation impacts an organization's profitability and competitiveness. An increase in competitiveness means a hastened increase in business growth and expansion.

While Olufemi and Bano (2019) investigated the topic on Lagos SMEs, Akpa et al. (2022) studied the same on Lagos Quoted Deposit Money Banks (QDMB). They argue that, for banks to improve service quality and grow their customer base, they should implement strategic innovation and digitization. A survey research design was adopted. Using Raosoft calculator, they came up with a sample size 464 bank employees and of 501 customers. The customers were selected using convenience sampling and stratified random sampling was used to select QDMB employees. A questionnaire, tested for reliability, was used to collect data with a 95.4% response rate. The researchers found that strategic alignment and strategic foresight positively impacted service quality which in turn helps in growing the customer base.

In Rwanda, Kirabo et al. (2020) assessed the effect of strategic innovation on the success of telecommunication companies using a descriptive survey design on qualitative and quantitative data. The sample size included 100 middle-level and top-tier managers from Airtel and MTN in Kigali. A correlation test revealed that there is a strong relationship between the performance and strategic innovation of telco giants in Rwanda. These findings align with Kanyuga (2019) who found similar results in Kenya’s leading telecommunication company.

Jamai (2022) acknowledges that strategic innovation is critical in business growth and sustainability and should be embedded in organizational structures and processes. Innovation should also be seen as a collaborative phenomenon, despite the fact that it is typically associated with solitary efforts by businesses in the country. In order to increase performance through innovation, SMEs should strengthen their external contacts and create strategic partnerships. It is no longer possible for SMEs to maintain sustained competitiveness in a changing environment while addressing market risks alone. To this effect, the author aimed to improve understanding and knowledge regarding how the type of innovation and strategic alliance improve growth in the Moroccan food industry. Both secondary and primary data were used in the study to answer the research questions. He found that both non-technological and technological innovation improves the functioning and growth of the sector through strategic alliances.

Kanyuga (2019) performed research with a focus on Safaricom PLC to assess the effect of strategic innovation on the success of Kenya's telecommunication companies. Critical empirical literature was studied for the study's desk review approach in order to identify the key elements. The study discovered a strong correlation between growth and performance and strategic innovation. He realized that the success of telecommunication firms in Kenya has been varying due to the volatile nature of the industry and the environmental factors. Kenya’s telco giant, Safaricom PLC, was not spared of the volatility that affected performance and growth. The author recommended that the company constantly analyze and measure its operation services to improve efficiency and performance.

Areri et al. (2020) lament that Kenyan public universities overly rely on capitation funds and their revenue sources. The money they receive from the government is lower than their declared capacity and they always fall short of enough students for self-sponsored programs. With this dangerous situation, public university managements realize the need to generate extra revenue through strategic innovations. The authors aimed to find the relationship between the growth of Kenyan public universities and product innovation or marketing innovation. They implemented a descriptive research design. They used a purposive sampling and census survey to select the Finance officer and Registrar Administration in all public universities. inferential and descriptive statistics were used to analyze data. The authors found that marketing innovation and product innovation had a significant effect on the growth of public universities.

The effects of strategic innovation on small and medium-sized enterprises (SMEs) run by women in Nairobi were evaluated by Kiende et al. (2019). Using a combination of qualitative and quantitative research methods, they conducted a cross-sectional survey. There were 358 officially recognized SMEs that were owned by women. Their research showed that strategic innovation has a favorable effect on both a company's bottom line and its potential to break into new markets. Consequently, there are obstacles impacting the expansion, viability, efficiency, and profitability of SMEs in Kenya that are owned by women. They speculated that if these businesses engaged in strategic innovation, they would have a better chance of surviving in the country.

Riungu's (2020) study on Kenya Commercial Bank (KCB) used a descriptive correlational research approach to assess the effect of strategic innovation on the bank's expansion, viability, and performance. Using a stratified random selection method, 231 employees from the KCB Kencom House were chosen to fill out the survey. The data was collected through questionnaires and interviews with 580 employees at the KCB Bank Kenya headquarters and evaluated with descriptive statistics. The research concluded that customer-centric strategic innovation is crucial to the development and success of any business. The Kenyan banking industry relies heavily on strategic innovation to ensure its continued viability. He suggests that financial institutions use this strategy to improve their development and performance.

2. 5 Summary of Literature Review and Knowledge Gaps

There are gaps in the studied literature in terms of background, concepts, and methods. Both Thatrak (2021) and Islam and Wahab (2021) examine the effects of strategic innovation on the development of Thai real estate enterprises and small and medium-sized enterprises (SMEs) located in countries other than Kenya. Gómez-Prado et al.'s (2022) research on the topic of how Peruvian companies can grow and extend abroad through strategic innovation was conducted in a location other than Kenya.

An evaluation of the crucial and multifaceted role of innovation in the transformation of global value chains (GVCs) relative to the development of national markets was made in a study by Shelomentsev et al. (2021), but the idea of digital innovations was overlooked. Since the study by Olufemi and Bano (2019) only looked at small and medium-sized enterprises (SMEs) in Lagos, Nigeria, and not real estate specifically, it seems to have left a conceptual vacuum.

Olufemi and Bano's (2019) descriptive research approach was utilized to examine the effects of digital management on small and medium-sized enterprises (SMEs) in Lagos. Kirabo et al. (2020) used qualitative data to analyze the effect of strategic innovation on the growth of the telecom industry in Rwanda. Kanyuga (2019) similarly centered their attention on Kenya's telecommunications businesses rather than the real estate market. All these studies have some holes in their concepts and methods that need to be filled.

2.5 Conceptual Framework

The relationship between the dependent and independent variables is represented in this conceptual framework. The expansion of real estate enterprises in Nairobi, Kenya, is the dependent variable in this study, whereas the independent variable is digital innovations.

Independent Variable

Strategic Innovation

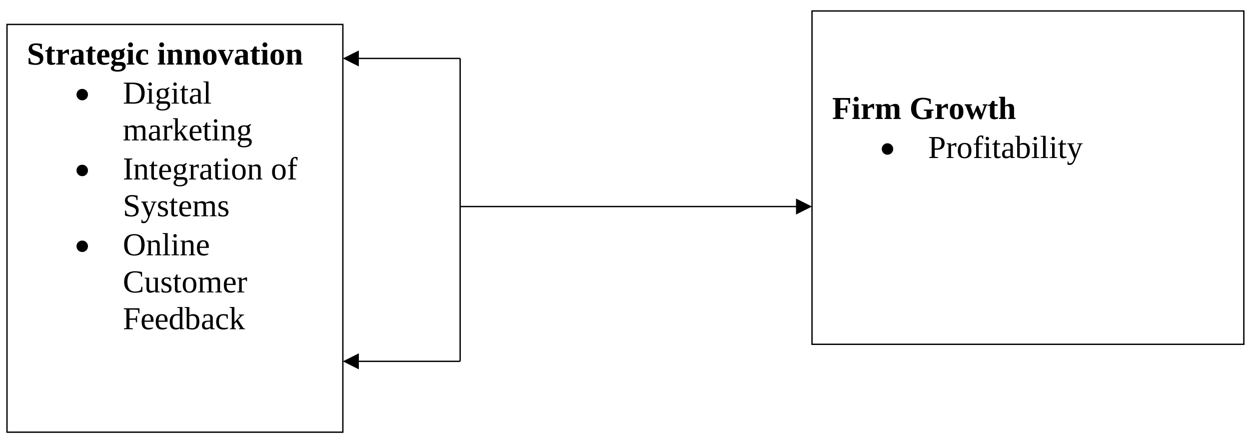

Figure 1: Conceptual Framework

Source: Author, (2023)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section provides the procedures that were adopted in the research. The segment entails data collection plans, research roadmap or design and the data analysis techniques that were adopted during the study. It outlines the methods in the study.

3.2 Research Design

A cross-sectional research design with descriptive correlation was used in this research. A descriptive research study tries to establish or determine the presence of an independence or link between two or more study variables. Moreover, Creswell & Poth (2017) indicates that associations between several variables that are present in the same population are also established using descriptive design. The design helped achieve data within a short time and promote the understanding of the effects of strategic innovations on the growth of real estate firms in Nairobi, Kenya.

The cross-sectional survey design formed the foundation of the research technique. A cross-sectional approach, according to Levin (2006), is essentially a type of observational design that is frequently employed for population-based surveys in research. This design helped to gather huge data and promoted achievement of the research goal within a short time. The cross-sectional research design was applied for this research since it involved several groups of firms in Nairobi (Sedgwick, 2014).

3.3 Population

Target population is the group where data was gathered. In this case, the target group is real estate firms in Nairobi Kenya. In Nairobi, there are over 255 registered real estate firms according to

Estate Agents Registration Board-EARB-(2022). According to Creswell (2017), population of study is a group of individuals which is selected by the researcher to provide data related to the study topic.

3.4 Sample Size

According to Kothari (2003), sample size is important when dealing with a large population. Since this study involved many Real Estate firms in Nairobi, a sample size model was adopted. Specifically, the study adopted Yamane (2007) formula as shown below.

The formula is shown below.

$$n = {}^{N}/_{1 + N(e^2)}$$

$$n = \frac{255}{1 + 255(0.05)^2}$$

= 155

The researcher sampled 155 Real Estate firms in Nairobi.

3.5 Data Collection

Data from the field was considered in this inquiry. Data was collected from 155 real estate firms within the city. The information was gathered using survey-style questions. The questionnaire was provided to the directors and senior managers of the real estate firms. The questionnaire was delivered through drop and pick method. The researcher shared some questions through emails of the respondents. This helped to gain the amount of data. Different areas of the questionnaire were covered in the study.

In the questionnaire, the demographic information was included in Section A while section B was about the strategic innovations. However, section C was on firm growth measures and dimensions. The analysis was based on these questions.

3.6 Data Analysis

The researcher used quantitative methods for data analysis in this research, since the goal of the study was to highlight the effects of strategic innovations on the growth of real estate firms in Nairobi, Kenya. Both inferential and descriptive statistics were used in this research, then SPSS software was used to analyze the data. To make the results of the study simpler to grasp, graphs, charts, and tables were produced to represent them. The use of regression model formed part of the analysis, and this is shown below.

$Y = a + \beta x_{1+} B_6$

Where Y= Growth of real estate firms in Nairobi, Kenya.

X_1=Strategic Innovation

B_6=Error Factors

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings and analysis as well as the discussions of the findings which are then presented using charts, diagrams, and graphs. The data is analyzed with the view of determining strategic innovation and growth of firms in the real estate industry in Nairobi Kenya. The discussions on the analyzed data and the findings are made and also presented to underscore the effect of the predictors with reference to the findings of earlier research with a view of filling the research gap.

4.2 Participant Response

The questionnaires were presented by the researcher to 155 respondents in the sampled real estate firms in Nairobi. The firm directors and senior managers from the sampled firms were considered for the survey. The directors and managers were contacted and briefed to enable the researcher to obtain consent before they were issued the questionnaires by hand. The completed questionnaires were collected after three days. 152 questionnaires out of the 155 that had been issued were received back, dully filled in. This means that the response rate was 98%, which is statistically excellent for the reliability of a quantitative research.

4.3 Background Information and Demographic Characteristics

The composition of the participants in terms of demographic characteristics that include gender, age, position in the company and highest level of education attained were sought. It was established that more than 68% of the respondents were aged 31 years and above and only about 10% were aged below 25 years. Also, it was noted that 54% of the respondents were male and 46% of the respondents were female. The study noted that at least 48% of the respondents had attained at least a Masters' Degree, while the remaining population had attained education levels lower than the Masters' level or had other qualifications. Experience-wise, it was established that more than half or the respondents had more than 5 years' experience as directors or at different management positions.

Table 4.1. Age of Respondents

Age (years)	Frequency	Percentage
25 or below	16	10.5
26 – 30	38	25.0
31 – 35	37	24.4
Above 36	61	40.1
Total	**152**	**100**

From the demographics, it is evident that education is an important qualification for the position directorship or management in most firms as shown by a large number of respondents with at least a Masters' degree. The leadership and management positions in most firms is a factor of experience. The composition of the directorship and management of the firms sampled indicate almost gender parity in the responsibilities albeit males being slightly more than females.

4.3.1 Respondents' Position

It was important to establish the position of the respondent in the sampled firms. Thus, the respondents were asked to indicate their job positions and the responses are tabulated in table 4.2 below.

Table 4.2. Respondent's position

Ownership	**Frequency**	**Percentage**
Directors	42	27.6
Middle-level Mangers	36	23.7
Top-Level Management	74	48.7
Total	**152**	**100**

4.4. Strategic Innovations

Before ascertaining the effects of strategic innovation on growth of firms, it was critical to establish the specific strategic innovation practices that were utilized by the sampled Real Estate firms. The respondents were therefore asked to give the extent to which they agreed with the statements which implied that their firms had adopted specific strategic innovation practices that included strategic innovation. The responses were issued in a Likert scale from 1 to 5 where 1 implied that the respondent strongly disagreed with the statement, 2 meant disagreed, 3 meant uncertain, 4 meant agreed and 5 meant strongly agreed. The responses and the descriptive statistical analysis of the responses are in table 4.3 below.

Table 4.3. Strategic Innovation Practices

Statements on Strategic Innovation Practices	N	Mean	SD
The firm has adopted digital marketing	152	4.3874	0.7240
The firm supports tech. integrated in operations	152	4.4085	1.0445
The firm considers online systems in its major programs	152	4.6001	0.8832
The firm value technology and branding in its operations	152	4.2376	0.6471
The firm considers market innovations	152	3.8690	1.0652
The firm uses variety of models to reach customers	152	3.4981	0.7568
The firm can create new products	152	4.1008	0.8838
Average		**4.1574**	**0.8578**

The findings shown in table 4.3 above show that most firms studied had adopted technology that led to digital marketing integrated systems, online feedback and branding of the firm products. Moreover, the respondents agreed that the firms had in place market innovation strategies and were able to create new product albeit at lower levels. Generally, all the studied innovation strategies were utilized in the sampled firms; this is evident from the average mean and standard deviation of 4.1574 and 0.8578 respectively. The low standard deviation shows that the deviation in the responses were minimal; this imply that almost all respondents agreed that technology adoption was used in their firms.

4.5 Measures of Growth

The study used a number of growth measures to establish the link between innovation strategies and growth of the sampled firms. From the findings, it was evident that most of the respondents alluded that their companies considered increased profit that was achieved through increased investment in technology.

4.6 Strategic Innovation Practices and Growth of Firms

In order to determine the relationship between strategic innovation practices and firm growth, the respondents were asked to rank their opinions in a Likert scale with 1 implying that performance is far below average, 2 meaning a little below average, 3 meaning average, 4 meaning a slightly above average and 5 meaning far above average. The question posted to the respondents was, '*How is the firm's growth when compared with other real estate companies on each of the following aspects?*'. The responses were on statements that implied growth of the firm by considering the growth metrics such as volume of sales, number of customers, market share, income and ROA. The responses were analyzed and are tabulated in table 4.6 below.

Statement on growth of firm	Mean	S. Deviation
The company is experiencing high sales volume	3.79034	0.88946
The company is experiencing growing number of customers	4.12641	0.52496
The firm is enjoying growing market share over the years	4.41306	0.96085
The firm income and ROA are increasingly steadily over the years	3.67451	0.49247
Average	**4.00108**	**0.71694**

Table 4.6. Strategic Innovation and Growth (profitability)

From table 4.6 above, it is evident that most respondents agreed that strategic innovation positively impacted most of the growth metrics in their companies. The findings indicate that most of the sampled companies had grown compared to other real estate companies. Specifically, the findings show that most of the companies experienced increased market share, which had the highest mean, followed by increased number of customers. Moreover, the sales, income and ROA were high impacted more than other companies.

4.6.1. Regression Analysis

Regression analysis was conducted, and the regression model helped to estimate the impact of the independent variables on the dependent variable; in this study, the strategic innovation strategies were the independent variables while growth measures were the dependent variables.

Table 4.7. Regression Model Summary

Regression Statistics	
Multiple R	0.57151
R Square	0.32662
Adjusted R Square	0.30356
Standard Error	0.36378
Observations	152

a. Predictors: (Constant), *digital marketing, integrated systems, online platforms, and technology usage to brand the firm)*

b. Dependent Variable: *Growth (firm profitability).*

The regression model shown in table 4.7 above shows that strategic innovations had a positive impact on the growth (profitability) of the real estate firms. The coefficient of regression, R = 0.57151 and the coefficient of determination measure of R square = 0.32662 show that strategic innovation affects growth by up to 32%. This implies that strategic innovation explain about 32% of the growth (profitability) of the firms at 95% level of confidence.

4.6.2 Analysis of Variance (ANOVA)

A two-way ANOVA without replication was conducted on the data and the findings are shown in table 4.8 below.

Table 4.8. Analysis of Variance

ANOVA

	df	SS	MS	F	Significance F
Regression	5	95271.23861	19054.25	14.16338	0.0000
Residual	147	196416.3403	1345.317		
Total	152	291687.5789			

The analysis of variance shown in table 4.8 above showed that the collected data that was significant in explaining the relationship between growths of the firms with strategic innovation thus making the findings herein reliable and valid at 95% significance level. The ANOVA shows that the f-critical value was much higher than the f-significance value. This shows that the regression model was statistically significant with a good fit for prediction of how strategic innovation affected profitability of the firms. Variance of the predictors of the regression model had a significance of 0.000, thus showing a strong relationship between the predictor and the dependent variables.

4.6.2 The Coefficients

The ANOVA shows the fitness of the regression model that is used to determine the effect of the predictor on the dependent variable while the Beta coefficient show the extent to which each predictor affect the dependent variable. Table 4.9 below has a summary of the beta coefficients.

Table 4.9. Coefficients

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-25.394	34.71225645	-0.73156	0.465612
Digital marketing	4.127574	3.500610864	1.179101	0.240276
Systems Integration	0.377177	3.675650865	0.102615	0.918409
Online platforms	19.98783	3.255209815	6.140257	7.400901
Branding using Technology	12.82307	3.770651787	3.400756	0.000867

Table 4.9 above gives the regression coefficients of the strategic innovation metrics. From the coefficients, it is evident all the p-values are lower than the critical value. This confirms the statistical significance of the coefficients. Thus, the values indicate that growth, if kept constant at -25.394 at 95% confidence level and other independent variables held at zero, a unit increase in digital marketing enhances growth by a factor of 4.128. Likewise, a unit increase in online platforms would increase growth by 0.3772 and a unit increase in systems integration would

increase growth by 19.988. Finally, a unit increase in branding using technology would enhance firm growth by 12.823.

4.7 Discussions on Findings

This research aimed at establishing the impact of strategic innovations on growth of real estate firms in Nairobi, Kenya and from the analysis of the findings, it is evident that strategic innovation enhances growth of such firms. The regression estimation of the model, which is significant at 95% showed that the model was significant in explaining the relationship between growth of the real estate firms and strategic innovations at that significance level. From the regression analysis, the findings show that all the measured parameters of strategic innovation (digital marketing, systems integrations, online platforms, and branding using technology) have a positive impact on growth (profitability) of the real estate firms in Nairobi. These findings agree with the findings of Thatrak (2021) who examined the impact of strategic innovation on performance of organization, effectiveness, and growth in the Thai real estate industry and established a positive impact of strategic innovation on the performance, and growth of the firms.

Additionally, the findings of this study agree with those of Islam and Wahab (2021) who investigated how strategic innovation would bring about growth in Malay SMEs and found out that holistic strategic innovation made business growth more sustainable and comprehensive. Also, the findings here are in tandem with the findings of

Gómez-Prado et al. (2022) and Olufemi and Bano (2019) who established strategic innovation, especially innovation and market intelligence impacted competitive advantage and consequently led to growth and expansion. Locally, these findings agree with the findings of Areri et al. (2020) who studied Kenyan public universities which overly rely on capitation funds and their revenue sources for growth and found out that marketing innovation and product innovation had a significant effect on the growth of the universities. Likewise, Riungu (2020) who evaluated the impact of strategic innovation on the growth, sustainability, and performance of Kenya Commercial Bank (KCB) established that the growth and performance of the organization depended on customer-centric strategic innovation; this is in tandem with this study's findings. Therefore, this study, in addition to several previous studies highlight the importance of strategic innovation in creating a competitive edge of the companies which then generate value for the company thus driving growth.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

The review present summary. It also covers the findings as well as the conclusion part of the study. The limitations of this specific research are also captured.

5.2. Summary of the Findings

This study had a single primary objective; to determine how strategic innovations had affected the growth of real estate companies in Nairobi, Kenya. Using a quantitative approach, 152 respondents from sampled real estate firms filled questionnaires in response to the questions regarding the matter of study. Descriptive statistics conducted on the responses showed that most firms had adopted technology and this improved their profitability. Likewise, it was noted that the firms had in place digital marketing, online and innovation strategies as well as branding and were able to create new products. Generally, it was established that all the studied strategic innovation models were utilized in the sampled firms as was evident from the average mean and standard deviation of 4.1574 and 0.8578 respectively (table 4.3).

The findings also indicated that strategic innovation positively impacted most of the growth metrics in their companies. The findings indicate that most of the sampled companies had grown compared to other real estate companies. Specifically, the findings showed that most of the company's experienced increased in profitability and this confirms that strategic innovation promote the firm success.

The regression model used showed that strategic innovations had a positive impact on the growth of the real estate firms (table 4.7). The coefficient of regression, R = 0.57151 and the coefficient of determination measure of R square = 0.32662 showed that strategic innovation affected growth of the firms by up to 32%, implying that strategic innovation explained more than 32% of the profitability of the firms at 95% level of confidence. In addition, the ANOVA that was conducted (table 4.8) showed a much higher f-critical value than the f- significance value implying that the regression model used was statistically significant with a good fit for prediction of how strategic innovation practices affected growth of the firms. Variance of the predictors of the regression model also showed a strong relationship between the predictor (strategic innovation) and the dependent variables (profitability parameters).

5.3. Conclusion

The main objective of this study was to determine how strategic innovations affect the growth of real estate companies in Nairobi, Kenya. The study has established that strategic innovation practices in terms of strategic innovation enhanced growth which was seen in profitability in the real estate firms studied. This finding concurs with a large number of other earlier studies such as those of Olufemi and Bano (2019), Riungu (2020), Areri et al. (2020), Thatrak (2021), Islam and Wahab (2021) and Gomez-Prado et al (2022). Basically, the study has established that creative implementation or regeneration of fresh concepts through innovation in response to customer demand can result in eventual growth of the company. This implies that meaningful innovative changes in policy, programs, structures, or activities in companies in response to sophisticated consumer and industry needs such as competition enhance creation of the new products or services. The study has established that with such strategic innovations, real estate firms find it cheap and easy to promote their growth rate; which is of critical importance to the general success of the firms.

5.4. Limitations of the Study

The inquiry focused on real estate firms in Nairobi, Kenya. It adopted a small sample and this may be a challenge. Additionally, the researcher used the only four growth metrics which may give misleading or biased observations. The study was only limited to four aspects of strategic innovation amidst an array of such strategies. Nonetheless, the researcher utilized the available time to conduct the research.

5.5. Recommendations

Since the main objective of this study was to determine how strategic innovations had affected the growth of real estate companies in Nairobi, Kenya, and this study has established from regression analysis that more than 32% of the variance in the dependent variable (growth) of real estate firms can be explained by combine effects of the independent variables- strategic innovation. This shows that if real estate companies in Nairobi Kenya can utilize modern technologies to promote their profitability by up to 32%. Therefore, it is recommended that real estate firms should strive to adopt and utilize strategic innovation which best suits them to enhance their expansion and growth if it is among the company objectives. Such companies should inculcate into their culture, the concept of innovation and lay strategies to promote innovation in its operations in order to spur growth.

5.6 Suggestions for Further Research

This study was conducted among real estate firms within Nairobi, the Capital of Kenya. This means that the findings are more applicable for real estate firms in big cities and thus may not be applicable for small growing towns. Therefore, similar studies can be conducted in other locations such as other major towns. Additionally, similar studies can be conducted using different measurement variables; for instance, other variables apart from strategic innovation should be used as independent variables while also other variables apart from profitability should be used as measurement metrics for firm growth. Moreover, the use of technology for branding had a very low, almost negligible impact on growth of firms. This finding can thus be validated if a similar study could be conducted to confirm its applicability.

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APPENDICES

Appendix I: Questionnaire

SECTION A: BACKGROUND DETAILS

1. Real Estate Company name

____

2. In which year was the company established?

____

3. What is your position in the company?

a. Director [ ]

b. Middle-level Management [ ]

c. General Staff [ ]

d. Top-level Management [ ]

5. What is your Age?

a. Between 20 to 25 [ ]

b. Between 26 to 30 [ ]

c. Between 31 to 35 [ ]

d. Above 36years [ ]

6. Indicate the Gender, where M stands for Male and F Female

a. M [ ]

b. F [ ]

7. Indicate the highest level of education you have attained?

a. Diploma [ ]

b. Bachelors [ ]

c. Masters [ ]

d. Doctorate [ ]

e. Other (Please specify)__ ………………………………

8. For how many years have you been working in this Company? (Years of experience)

a. Less than3years [ ]

b. 3 –5years [ ]

c. 6 –10years [ ]

d. More than10years[ ]

SECTION B: STRATEGIC INNOVATIONS (TECHNOLOGY ADOPTION)

9. Tick the only one most appropriate response from the options provided below.

1 = Strongly Disagree

2 = Disagree

3 = Uncertain

4 = Agree and

5 = Strongly Agree

To what level do you concur that your corporation has adopted the below technology adoption in their major operations?

Statement	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
The firm has adopted digital marketing					
The firm supports integrated systems of operations					
The firm considers online platforms in their major programs					
The firm value technology and branding in its operations.					
The firm considers market innovations					
The firm uses variety of models to reach customers.					
The firm can create new products					

<u>SECTION C: GROWTH OF THE FIRM (PROFITABLITY)</u>

10. How is the firm's profitability when compared with other real estate companies on each of the following aspect?

Scale

1=Far below average, 2= A little below average, 3=Average, 4= A little above average, 5= Far above average.

Firm Profitability	Fair below average	Below average	Average	Little Above average	Far above average
The company is experiencing high sales volume					
The company is experiencing growing number of returns in its investment					
The firm is enjoying high net profit margins than others					
The firm income and ROA is increasingly steadily over the years					